KINDER MORGAN, INC.
Form POS AM
March 01, 2012
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**As filed with the Securities and Exchange Commission on March 1, 2012**

**Registration No. 333-177895**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# POST-EFFECTIVE AMENDMENT NO. 2
# TO
# Form S-4
# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# KINDER MORGAN, INC.

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Delaware** | **4922** | **80-0682103** |

| (State of Incorporation) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |
|---|---|---|

**500 Dallas Street,**

**Suite 1000**

**Houston, Texas 77002**

**713-369-9000**

**(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)**

**Joseph Listengart, Esq.**

**Vice President, General Counsel and Secretary**

**Kinder Morgan, Inc.**

**500 Dallas Street,**

**Suite 1000**

**Houston, Texas 77002**

**713-369-9000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

***With copies to:***

| | | | |
|---|---|---|---|
| **Thomas A. Roberts, Esq.** | **Gary W. Orloff, Esq.** | **Robert W. Baker, Esq.** | **Daniel A. Neff, Esq.** |
| **R. Jay Tabor, Esq.** | **R. Daniel Witschey, Jr., Esq.** | **Executive Vice President** | **David A. Katz, Esq.** |
| **Weil, Gotshal & Manges LLP** | **Troy L. Harder, Esq.** | **and General Counsel** | **Wachtell, Lipton, Rosen & Katz** |
| **767 Fifth Avenue** | **Bracewell & Giuliani LLP** | **El Paso Corporation** | **51 West 52nd Street** |
| **New York, New York 10153** | **711 Louisiana Street,** | **1001 Louisiana Street** | **New York, New York 10019** |
| **(212) 310-8000** | **Suite 2300** | **Houston, Texas 77002** | **(212) 403-1000** |
| | **Houston, Texas 77002** | **(713) 420-2600** | |
| | **(713) 221-2300** | | |

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement is declared effective and upon completion of the transactions described in the enclosed information statement/proxy statement/prospectus.

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

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (referred to as the Securities Act ), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | x (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third Party Tender Offer) ¨

**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 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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## EXPLANATORY NOTE

This Post-Effective Amendment No. 2 to the Registration Statement on Form S-4 (File No. 333-177895) is being filed to provide for incorporation by reference by the Registrant of the filings listed therein and any future filings the Registrant makes with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the termination of the offering.

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**The information in this document is not complete and may be changed. Kinder Morgan, Inc. may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION DATED MARCH 1, 2012**

**INFORMATION STATEMENT/PROXY STATEMENT/PROSPECTUS**

**PROPOSED MERGER YOUR VOTE IS IMPORTANT**

March [ ], 2012

We are very pleased to provide this document to you. It is a prospectus related to a proposed issuance by Kinder Morgan, Inc., referred to as Kinder Morgan, of shares of its Class P common stock and warrants to purchase shares of its Class P common stock, or warrants, pursuant to an Agreement and Plan of Merger, referred to as the merger agreement, entered into by, among others, Kinder Morgan and El Paso Corporation, referred to as El Paso. Upon the terms and subject to the conditions set forth in the merger agreement and the Agreement and Plan of Merger entered into among El Paso and certain of its subsidiaries, referred to as the first merger agreement, if the requisite stockholder and other approvals are obtained and other closing conditions are satisfied or waived, through a series of transactions which are further described in this document, El Paso will become an indirect, wholly owned subsidiary of Kinder Morgan. This document is also a proxy statement for El Paso to use in soliciting proxies for its special meeting of stockholders, at which meeting El Paso s stockholders will vote on, among other things, the proposal to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement. In addition, this document is an information statement for Kinder Morgan stockholders to inform them of the transactions and the approvals to be given at the Kinder Morgan special meeting with respect to the proposal to approve the issuance of shares of Kinder Morgan Class P common stock and warrants to be issued as part of the merger consideration and the issuance of shares of Kinder Morgan Class P common stock to be issued upon exercise of the warrants, which we refer to as the share and warrant issuance proposal.

This is an exciting and important event in each of our companies histories. The boards of directors of each of Kinder Morgan and El Paso have approved the proposed transactions. Under the Delaware General Corporation Law, the approval of El Paso s stockholders must be obtained before the transactions can be completed. Under the rules of the New York Stock Exchange, referred to as the NYSE, Kinder Morgan is required to obtain stockholder approval prior to issuing its Class P common stock and the warrants in connection with the transactions contemplated by the merger agreement. Richard Kinder and certain other stockholders of Kinder Morgan who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan have agreed to vote their shares of Kinder Morgan Class P and Class A common stock, referred to together as Kinder Morgan voting common stock, in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until the approval of the share and warrant issuance proposal or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal. **As a result, approval of the share and warrant issuance proposal at the Kinder Morgan special meeting is assured. Kinder Morgan stockholders are invited to attend the special meeting, at which they will have the opportunity to vote on the share and warrant issuance proposal in person, but no additional votes by other Kinder Morgan stockholders are required to approve the share and warrant issuance proposal. Kinder Morgan is not asking Kinder Morgan stockholders for a proxy, and Kinder Morgan stockholders are requested not to send a proxy.**

The series of transactions described in this document include, among others, what are referred to as the first merger and the second merger. The first merger involves only El Paso and two of its subsidiaries. Pursuant to the first merger agreement, at the effective time of the first merger, each outstanding share of El Paso common stock will be converted into one share of common stock of Sirius Holdings Merger Corporation, or New El Paso. The first merger will result in a holding company structure for El Paso but will not affect the merger consideration that El Paso stockholders will receive at the effective time of the second merger pursuant to the merger agreement. Pursuant to the merger agreement, at the effective time of the second merger, each share of New El Paso common stock issued and outstanding immediately prior to the effective time of the second merger (excluding shares held by New El Paso in treasury, any shares held by Kinder Morgan or any of Kinder Morgan s or New El Paso s subsidiaries and dissenting shares in accordance with Delaware law) will be

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converted into the right to receive, at the election of the holder but subject to proration with respect to the stock and cash portion so that approximately 57% of the aggregate merger consideration (excluding the warrants) is paid in cash and approximately 43% (excluding the warrants) is paid in Kinder Morgan Class P common stock, one of the following: (1) 0.9635 of a share of Kinder Morgan Class P common stock and 0.640 of a warrant to purchase one share of Kinder Morgan Class P common stock; (2) $25.91 in cash without interest and 0.640 of a warrant to purchase one share of Kinder Morgan Class P common stock; or (3) 0.4187 of a share of Kinder Morgan Class P common stock, $14.65 in cash without interest and 0.640 of a warrant to purchase one share of Kinder Morgan Class P common stock. The second merger will result in El Paso and New El Paso becoming wholly owned subsidiaries of Kinder Morgan.

El Paso s common stock currently trades on the NYSE under the ticker symbol EP, and Kinder Morgan s Class P common stock currently trades on the NYSE under the ticker symbol KMI. The Kinder Morgan Class P common stock being registered pursuant to this information statement/proxy statement/prospectus (including the Kinder Morgan Class P common stock issuable upon exercise of the warrants) will be listed on the NYSE, and the warrants being registered pursuant to this information statement/proxy statement/prospectus will be listed on the NYSE, NASDAQ or another exchange agreed upon by Kinder Morgan and El Paso.

The special meeting of El Paso stockholders will be held on March 6, 2012 at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002. At the special meeting, El Paso stockholders will be asked to vote on, among other things, the adoption of the merger agreement and the first merger agreement and the approval of the transactions contemplated by the merger agreement and the first merger agreement. **El Paso s board of directors has approved and declared advisable the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement, and the second merger on the terms set forth in the merger agreement. El Paso s board of directors recommends that El Paso stockholders vote FOR the adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement; FOR any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting; and FOR the approval on an advisory (non-binding) basis of the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions.** The special meeting of Kinder Morgan stockholders will be held on March 2, 2012 at 10 a.m. local time, at 500 Dallas Street, Suite 1000, Houston, Texas, 77002.

This information statement/proxy statement/prospectus is an important document containing answers to frequently asked questions and a summary description of the transactions, the merger agreement and the first merger agreement, followed by more detailed information about Kinder Morgan, El Paso, the transactions, and the other matters to be voted upon by Kinder Morgan and El Paso stockholders as part of the special meetings. We urge you to read this document carefully and in its entirety. **In particular, you should consider the matters discussed under Risk Factors beginning on page 45.**

We look forward to the successful merger of Kinder Morgan and El Paso.

Sincerely,

| | |
|---|---|
| Richard D. Kinder | Douglas L. Foshee |
| Chairman and Chief Executive Officer | Chairman, President and Chief Executive Officer |
| Kinder Morgan, Inc. | El Paso Corporation |

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this document or determined that this document is accurate or complete. Any representation to the contrary is a criminal offense.**

This document is dated March [ ], 2012 and a prior version was first mailed to stockholders of Kinder Morgan and El Paso on or about January 31, 2012.

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**EL PASO CORPORATION**

**1001 Louisiana Street**

**Houston, Texas 77002**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MARCH 6, 2012**

This is a notice that a special meeting of stockholders of El Paso Corporation (referred to as El Paso ) will be held on March 6, 2012, beginning at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002, unless postponed or adjourned to a later date. This special meeting will be held for the following purposes:

1. to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated October 16, 2011 (as it may be amended from time to time, the merger agreement ), by and among El Paso, Sirius Holdings Merger Corporation (a direct, wholly owned subsidiary of El Paso referred to as New El Paso ), Sirius Merger Corporation (a direct, wholly owned subsidiary of New El Paso), Kinder Morgan, Inc. (referred to as Kinder Morgan ), Sherpa Merger Sub, Inc. and Sherpa Acquisition, LLC (which are direct, wholly owned subsidiaries of Kinder Morgan) and the Agreement and Plan of Merger, dated October 16, 2011, by and among El Paso, New El Paso and Sirius Merger Corporation (as it may be amended from time to time, the first merger agreement ) and to approve the transactions contemplated by the merger agreement and the first merger agreement, including:

- a merger of Sirius Merger Corporation with and into El Paso (the first merger ), as a result of which El Paso will become a wholly owned subsidiary of New El Paso and each outstanding share of El Paso common stock will be converted into one share of New El Paso common stock; and

- a merger of Sherpa Merger Sub, Inc., a corporation directly, wholly owned by Kinder Morgan, with and into New El Paso (the second merger ), at which time stockholders of New El Paso will be entitled to receive the merger consideration described in the merger agreement in exchange for their shares;

2. to consider and vote upon any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting;

3. to consider and cast an advisory (non-binding) vote on the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions; and

4. to transact any other business as may properly come before the special meeting or any adjournment or postponement of such special meeting.

Only holders of record of El Paso common stock at the close of business on January 20, 2012, the record date for the special meeting, are entitled to receive this notice and to vote at the special meeting or at any adjournment or postponement of such special meeting.

The accompanying information statement/proxy statement/prospectus describes the proposals listed above in more detail. Please refer to the attached document, including the merger agreement, the first merger agreement and all other Annexes and including any documents incorporated by reference, for further information with respect to the business to be transacted at the special meeting. You are encouraged to read the entire document carefully before voting. **In particular, see the section entitled Risk Factors beginning on page 45.**

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**El Paso s board of directors has approved and declared advisable the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement, and the second merger on the terms set forth in the merger agreement. El Paso s board of directors recommends that you vote FOR the adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement; FOR any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting; and FOR the approval on an advisory (non-binding) basis of the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions.**

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN.** The acquisition of El Paso by Kinder Morgan cannot be completed without the affirmative vote on the merger proposal of the holders of at least a majority of the outstanding shares of El Paso common stock entitled to vote as of the record date for the special meeting. If you do not vote, the effect will be the same as a vote against the proposal to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement. You may vote your shares by proxy electronically via the Internet, by telephone, by sending in an appropriately completed paper proxy card or in person by ballot at the special meeting.

If you have any questions concerning the transactions or this information statement/proxy statement/prospectus or would like additional copies, please contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

By Order of the Board of Directors

MARGUERITE N. WOUNG-CHAPMAN

*Corporate Secretary*

March [ ], 2012

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**KINDER MORGAN, INC.**

**NOTICE OF SPECIAL MEETING AND ACTION TO BE TAKEN**

**Kinder Morgan is Not Asking You for a Proxy and You are Requested Not to Send Kinder Morgan a Proxy**

Dear Stockholder:

On March 2, 2012, Kinder Morgan, Inc. (referred to as Kinder Morgan ) will hold a special meeting of the holders of Class P common stock and Class A common stock at 500 Dallas Street, Suite 1000, Houston, Texas 77002. The meeting will begin at 10 a.m., local time.

At the meeting Kinder Morgan proposes to consider and vote upon a proposal (referred to as the share and warrant issuance proposal ) to approve the issuance of shares of Kinder Morgan Class P common stock and warrants to purchase shares of Kinder Morgan Class P common stock to be issued as part of the merger consideration, as well as the issuance of shares of Kinder Morgan Class P common stock to be issued upon exercise of such warrants, in each case, in connection with an Agreement and Plan of Merger, pursuant to which El Paso Corporation will become a wholly owned subsidiary of Kinder Morgan.

Kinder Morgan s board of directors has approved the share and warrant issuance proposal and recommends that you vote FOR the share and warrant issuance proposal, which is discussed in more detail in the accompanying information statement/proxy statement/prospectus. Richard Kinder and certain other stockholders of Kinder Morgan who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan have agreed to vote their shares of Kinder Morgan voting common stock in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively until the approval of the share and warrant issuance or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal. **As a result, approval of the share and warrant issuance proposal at the Kinder Morgan special meeting is assured. Kinder Morgan stockholders are invited to attend the special meeting, at which they will have the opportunity to vote on the share and warrant issuance proposal in person, but no additional votes by other Kinder Morgan stockholders are required to approve the share and warrant issuance proposal.**

Kinder Morgan s board of directors has fixed the close of business on January 20, 2012, as the record date for determining those stockholders entitled to vote at the Kinder Morgan special meeting. Accordingly, only holders of record of Kinder Morgan voting common stock at the close of business on that date are entitled to notice of, and to vote at, the Kinder Morgan special meeting. A complete list of our stockholders will be available for inspection at the Kinder Morgan special meeting.

The accompanying information statement/proxy statement/prospectus provides information about the transactions. You are encouraged to read this information statement/proxy statement/prospectus, including any documents incorporated by reference, and the Annexes carefully and in their entirety. In particular, see the section entitled Risk Factors beginning on page 45 in the accompanying information statement/proxy statement/prospectus. If you have any questions concerning the transactions or this information statement/proxy statement/prospectus or would like additional copies, please contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

By order of the Board of Directors,

Joseph Listengart

*Secretary*

March [ ], 2012

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## REFERENCES TO ADDITIONAL INFORMATION

This document incorporates by reference important business and financial information about El Paso and Kinder Morgan from documents that they have filed with the Securities and Exchange Commission (referred to as the SEC ) but that are not being included in or delivered with this document. This information is available to you without charge upon your written or oral request. You may read and copy documents incorporated by reference in this information statement/proxy statement/prospectus, other than certain exhibits to those documents, and other information about El Paso and Kinder Morgan that is filed with the SEC under the Securities Exchange Act of 1934, as amended, and the rules thereunder (referred to as the Exchange Act ) at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also obtain such documents free of charge through the SEC s website (www.sec.gov) or by requesting them in writing or by telephone at the following address and telephone number:

**For information about Kinder Morgan, Inc.:**

| | |
|---|---|
| By Mail: | Kinder Morgan, Inc.<br>500 Dallas Street, Suite 1000<br>Houston, Texas 77002<br>Attention: Investor Relations |
| By Telephone: | (713) 369-9000 |
| By Internet: | www.kindermorgan.com |

**For information about El Paso Corporation:**

| | |
|---|---|
| By Mail: | El Paso Corporation<br>1001 Louisiana Street<br>Houston, Texas 77002<br>Attention: Investor Relations |
| By Telephone: | (713) 420-5855 |
| By Internet: | www.elpaso.com |

**In addition, if you are an El Paso stockholder and would like to request any documents incorporated by reference in this information statement/proxy statement/prospectus prior to deciding what merger consideration to elect, please do so at least 5 business days prior to the election deadline, which will be identified in the form of election provided to you in a separate mailing following the El Paso special meeting.**

For additional information on documents incorporated by reference in this document, please see Where You Can Find More Information.

**The firm assisting El Paso with the solicitation of proxies and serving as information agent for Kinder Morgan is:**

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

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## ABOUT THIS DOCUMENT

Kinder Morgan has supplied all information contained in or incorporated by reference into this information statement/proxy statement/prospectus relating to Kinder Morgan. El Paso has supplied all information contained in or incorporated by reference into this information statement/proxy statement/prospectus relating to El Paso. Kinder Morgan and El Paso have both contributed information relating to the transactions.

This information statement/proxy statement/prospectus forms a part of a registration statement on Form S-4 (Registration No. 333-177895) filed by Kinder Morgan with the SEC. It constitutes a prospectus of Kinder Morgan under Section 5 of the Securities Act of 1933, as amended, and the rules thereunder, with respect to the shares of Kinder Morgan Class P common stock and warrants to purchase shares of Kinder Morgan Class P common stock to be issued to El Paso stockholders in the transactions and shares of Kinder Morgan Class P common stock to be issued upon exercise of such warrants. It also constitutes a proxy statement under Section 14(a) of the Exchange Act and a notice of meeting and action to be taken with respect to the El Paso special meeting of stockholders at which El Paso stockholders will consider and vote on the proposal to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement and the other proposals described in this information statement/proxy statement/prospectus. In addition, it constitutes an information statement under Section 14(c) of the Exchange Act and a notice of meeting and action to be taken with respect to the Kinder Morgan special meeting of stockholders at which holders of Kinder Morgan voting common stock will vote on the proposal to approve the issuance of shares of Kinder Morgan Class P common stock and the warrants to be issued as part of the merger consideration, and the issuance of shares of Kinder Morgan Class P common stock to be issued upon exercise of the warrants.

You should rely only on the information contained in or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in or incorporated by reference into this document. This document is dated March [ ], 2012. You should not assume that the information contained in this document is accurate as of any date other than the date hereof. You should not assume that the information contained in any document incorporated by reference herein is accurate as of any date other than the date of such document. Any statement contained in a document incorporated or deemed to be incorporated by reference into this document will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into this document modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this document. Neither the mailing of this document to the respective stockholders of Kinder Morgan and El Paso, nor the taking of any actions contemplated hereby by Kinder Morgan or El Paso at any time will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**

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## QUESTIONS AND ANSWERS

The questions and answers below highlight only selected information from this information statement/proxy statement/prospectus. They do not contain all of the information that may be important to you. El Paso s board of directors is soliciting proxies from its stockholders to vote at the special meeting of El Paso stockholders, to be held on March 6, 2012 at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002. This information statement/proxy statement/prospectus also provides information about the special meeting of holders of Kinder Morgan Class P common stock and Class A common stock, to be held on March 2, 2012 at 10 a.m. local time, at 500 Dallas Street, Suite 1000, Houston, Texas 77002, but for which Kinder Morgan is not soliciting proxies. You should read carefully the entire information statement/proxy statement/prospectus, including the Annexes, and the additional documents incorporated by reference into this information statement/proxy statement/prospectus, to fully understand the matters to be acted upon and the voting procedures for El Paso s special meeting and Kinder Morgan s special meeting. For a list of documents incorporated by reference into this document and information on how to obtain them, see the sections entitled Where You Can Find More Information and Incorporation by Reference.

**Frequently Used Terms**

A few frequently used terms may be helpful for you to have in mind at the outset. This document refers to:

Kinder Morgan, Inc., a Delaware corporation, as Kinder Morgan ;

Kinder Morgan Energy Partners, L.P., a Delaware limited partnership, as KMP ;

Kinder Morgan Management, LLC, a Delaware limited liability company, as KMR ;

Kinder Morgan Kansas, Inc., a Kansas Corporation, as KMK ;

Sherpa Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of Kinder Morgan, as Merger Sub Two ;

Sherpa Acquisition, LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Kinder Morgan, as Merger Sub Three ;

the investment funds advised by or affiliated with Goldman Sachs, Highstar Capital LP, The Carlyle Group and Riverstone Holdings LLC, that are investors in Kinder Morgan, collectively as the Sponsor Investors ;

Fayez Sarofim, one of Kinder Morgan s directors, and investment entities affiliated with him, and an investment entity affiliated with Michael C. Morgan, another of Kinder Morgan s directors, and William V. Morgan, one of Kinder Morgan s founders, collectively as the Original Stockholders ;

El Paso Corporation, a Delaware corporation, as El Paso ;

El Paso Pipeline Partners, L.P., a Delaware limited partnership, as EPB ;

Sirius Holdings Merger Corporation, a Delaware corporation and a direct, wholly owned subsidiary of El Paso, as New El Paso ;

Sirius Merger Corporation, a Delaware corporation and a direct, wholly owned subsidiary of New El Paso, as Merger Sub One ;

the merger of Merger Sub One with and into El Paso with El Paso being the surviving corporation, as the first merger ;

the surviving entity from the first merger, as the EP Surviving Company ;

the merger of Merger Sub Two with and into New El Paso with New El Paso being the surviving corporation, as the second merger ;

the surviving entity from the second merger, as the New EP Surviving Company ;

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the conversion of the EP Surviving Company into a Delaware limited liability company, as the LLC conversion ;

the converted entity after the LLC conversion, as the El Paso Converted LLC ;

the merger of the New EP Surviving Company with and into Merger Sub Three with Merger Sub Three being the surviving entity, as the third merger ;

the first merger, the second merger, the third merger and the LLC conversion, as the transactions ;

Kinder Morgan Class P common stock, $0.01 par value, as Kinder Morgan Class P common stock ;

shares of Kinder Morgan Class P common stock and Kinder Morgan Class A common stock currently outstanding and entitled to vote at the Kinder Morgan special meeting, as Kinder Morgan voting common stock ;

Kinder Morgan Class P common stock purchase warrants to be issued in connection with the second merger, as the warrants ;

the proposal to approve the issuance of shares of Kinder Morgan Class P common stock and the warrants as part of the consideration in the second merger, and the issuance of shares of Kinder Morgan Class P common stock to be issued upon exercise of the warrants, as the share and warrant issuance proposal ;

the transaction whereby Kinder Morgan, Inc., a Kansas corporation renamed Kinder Morgan Kansas, Inc. which indirectly owned all of the common equity of the general partner of KMP, was acquired by Knight Holdco LLC, the predecessor to Kinder Morgan, in May 2007, as the Going Private Transaction ;

Natural Gas Pipeline Company of America LLC, owner of a major interstate natural gas pipeline and storage system which Kinder Morgan operates, as NGPL ;

El Paso common stock, par value $3.00 per share, as El Paso common stock ;

the shares of New El Paso common stock, par value $0.01, which will be issued in exchange for shares of El Paso common stock in connection with the first merger, as New El Paso common stock ;

the Agreement and Plan of Merger, dated as of October 16, 2011, by and among El Paso, New El Paso, Merger Sub One, Kinder Morgan, Merger Sub Two and Merger Sub Three, as the merger agreement ;

the Agreement and Plan of Merger, dated as of October 16, 2011, by and among El Paso, New El Paso and Merger Sub One, as the first merger agreement ;

the Voting Agreement, dated as of October 16, 2011, by and among El Paso and certain stockholders of Kinder Morgan, as the voting agreement ;

the Warrant Agreement to be entered into at the closing of the transactions by and among Kinder Morgan and a party to be determined at a later date, as the warrant agreement ;

the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as the HSR Act or the Hart-Scott-Rodino Act ;

the New York Stock Exchange, as the NYSE ;

the General Corporation Law of the State of Delaware, as the DGCL ;

the Delaware Limited Liability Company Act, as the DLLCA ; and

the Internal Revenue Code of 1986, as amended, as the Code.

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**Q: Why have I received these materials?**

A: You are receiving this information statement/proxy statement/prospectus as a stockholder of one or both of El Paso and Kinder Morgan. El Paso has agreed to be acquired by Kinder Morgan pursuant to the terms and subject to the conditions of the merger agreement, which is attached as Annex A and described in more detail elsewhere in this document. See The Merger Agreement. The merger agreement provides that the acquisition of El Paso by Kinder Morgan will occur through a series of steps, which are referred to in this document as the first merger, the LLC conversion, the second merger and the third merger. These transactions are also described in more detail elsewhere in this document. See The Merger Agreement The Transactions. In connection with the transactions, New El Paso stockholders will be entitled to receive, at their election but subject to proration, cash and/or Kinder Morgan Class P common stock, and in each case, warrants to purchase Kinder Morgan Class P common stock. The merger consideration, proration mechanisms and election procedures are described in more detail in the sections entitled The Merger Agreement Transaction Consideration and The Transactions New El Paso Stockholders Making Elections.

In order to complete the proposed transactions, among other things, El Paso s and Kinder Morgan s stockholders must vote on, and approve, proposals that are described in this information statement/proxy statement/prospectus. El Paso and Kinder Morgan will hold separate special meetings of their respective stockholders to seek these approvals. If you are a stockholder of El Paso, you are being asked to cast a vote on certain proposals, including adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement.

This information statement/proxy statement/prospectus serves as the proxy statement through which El Paso will solicit proxies to obtain the necessary approvals for the proposed transactions. It also serves as the prospectus by which Kinder Morgan will issue shares of its Class P common stock and the warrants as part of the merger consideration. Further, it serves as an information statement for Kinder Morgan stockholders to inform them of the proposed transactions and of the approvals to be given at the Kinder Morgan special meeting. This information statement/proxy statement/prospectus contains important information and you should read it carefully and in its entirety.

**Questions and Answers for El Paso Stockholders**

**Q: What matters are to be voted on at the El Paso special meeting?**

A: The special meeting of El Paso stockholders is being held for the following purposes:

***Proposal 1***: to consider and vote upon a proposal to adopt the merger agreement (which is attached as Annex A) and the first merger agreement (which is attached as Annex B) and to approve the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement and the second merger on the terms set forth in the merger agreement;

***Proposal 2***: to consider and vote upon any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting;

***Proposal 3***: to consider and cast an advisory (non-binding) vote on the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions; and

***Other Matters***: to transact any other business as may properly come before the special meeting or any adjournment or postponement of such special meeting.

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**Q: What is the recommendation of El Paso s board of directors with respect to each proposal?**

A: The board of directors of El Paso recommends that the stockholders of El Paso vote:

***Proposal 1***: **FOR** adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement;

***Proposal 2***: **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting;

***Proposal 3***: **FOR** the approval on an advisory (non-binding) basis the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions; and

***Other Matters***: At this time, El Paso is not aware of any other matters that will be presented for a vote at the El Paso special meeting. If any other matters properly come before the special meeting, the proxy holders will have the discretion to vote upon such matters in accordance with their best judgment. To the extent El Paso receives proper notice of a stockholder s intent to bring a matter before the special meeting, El Paso will advise stockholders in advance of the special meeting as to how the proxies intend to vote on such matter.

**El Paso s board of directors has approved and declared advisable the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement, and the second merger on the terms set forth in the merger agreement.** See The Transactions Recommendation of El Paso s Board of Directors and Reasons for the Transactions.

In considering the recommendation of the El Paso board of directors with respect to the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, you should be aware that some of El Paso s directors and executive officers may have interests that are different from, or in addition to, the interests of El Paso stockholders more generally and that Goldman Sachs may have interests in the transactions that are different from, or in addition to, those of El Paso s stockholders more generally. See The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors and Interests of Certain Persons in the Transactions Goldman Sachs.

**Q: When and where is the El Paso special meeting?**

A: The El Paso special meeting will be held on March 6, 2012, beginning at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002 unless postponed or adjourned to a later date.

**Q: Who can attend the El Paso special meeting?**

A: You are entitled to attend the El Paso special meeting only if you are an El Paso stockholder of record or a beneficial owner as of the record date, if you hold a valid proxy for the special meeting or if you are an invited guest of El Paso.

If your shares are registered directly in your name with El Paso s transfer agent, you are a stockholder of record, and stockholders of record who wish to attend the special meeting in person must bring government-issued photo identification to the special meeting.

If your shares are held in street name through a broker, bank, trustee or other nominee, you are a beneficial owner, and beneficial owners will need to show proof of beneficial ownership and government-issued photo identification in order to be admitted to the special meeting.

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If you are a proxy holder for an El Paso stockholder, you will need to bring a validly executed proxy naming you as the proxy holder, proof of record or beneficial ownership of the El Paso stockholder naming you as proxy holder and government-issued photo identification.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Please read carefully the requirements for attendance set forth in El Paso Special Meeting, since failure to comply may prevent you from attending the El Paso special meeting.

**Q: Who can vote at the El Paso special meeting?**

A: All El Paso stockholders who held shares of record at the close of business on January 20, 2012, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting and any adjournment or postponement of the special meeting, provided that such shares remain outstanding on the date of the special meeting.

**Q: How many shares of El Paso common stock were outstanding on the record date?**

A: There were 773,738,056 shares of El Paso common stock outstanding at the close of business on January 20, 2012.

**Q: What constitutes a quorum for the El Paso special meeting?**

A: In order for business to be conducted at the special meeting, a quorum must be present. A quorum requires the presence, in person or by proxy, of holders of a majority of the outstanding shares of El Paso common stock entitled to vote at the special meeting. For purposes of determining whether there is a quorum, all shares that are present, including abstentions and broker non-votes, will count towards the quorum.

**Q: How do I vote my El Paso shares?**

A: If you are a stockholder of record, you may vote your El Paso shares by proxy electronically via the Internet, by telephone or by sending in an appropriately completed paper proxy card, or you may vote your shares in person by ballot at the El Paso special meeting. You can specify how you want your El Paso shares voted on each proposal by marking the appropriate boxes on the proxy card or indicating your vote on each proposal via the Internet or by telephone. Please review the voting instructions on the proxy card and carefully read this information statement/proxy statement/prospectus prior to voting. See El Paso Special Meeting.

**Q: If I am planning on attending the El Paso special meeting in person, should I still submit a proxy?**

A: Yes. Whether or not you plan to attend the special meeting, you should submit a proxy. Even if you submit a proxy, you may change your vote by voting in person by ballot at the special meeting. Attendance at the special meeting will not, in and of itself, serve to revoke your proxy.

**Q: How do I vote if my shares are held in street name ?**

A: If you are a beneficial owner holding your shares in street name, you should direct your broker, bank, trustee or other nominee on how to vote the shares. You should complete a voting instruction card provided to you by your broker, bank, trustee or other nominee or provide your voting instructions via Internet or by telephone, if Internet or telephone voting is made available to your broker, bank, trustee or other nominee. If you wish to vote in person at the meeting, you must first obtain from the broker, bank, trustee or other nominee that is the holder of record of your shares a proxy issued in your name.

Your broker, bank, trustee or other nominee does not have discretionary voting on Proposals 1, 2 and 3, which means that such broker, bank, trustee or other nominee will not be able to vote your El Paso shares on these proposals without instructions from you. See El Paso Special Meeting.

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**Q: Can I change my vote after I have delivered my proxy?**

A: Yes. You can change your vote at any time before your shares are voted at the El Paso special meeting. If you are a holder of record, you can do so in any of the following ways:

- sending a written notice of revocation to El Paso Corporation, Attn: Corporate Secretary, 1001 Louisiana Street, Houston, Texas, 77002, which must be received before your shares are voted at the special meeting;

- properly submitting a new proxy card, which must be received before your shares are voted at the special meeting (in which case only the later-submitted proxy is counted and your earlier proxy is revoked);

- voting via Internet or by telephone at a later date (in which case only the later-submitted proxy is counted and your earlier proxy is revoked); or

- attending the El Paso special meeting and voting by ballot in person.

If you are a beneficial owner holding your shares in street name, you may change your vote only by submitting new voting instructions to your broker, bank, trustee or other nominee. See El Paso Special Meeting.

**Q: What if I receive more than one set of proxy cards or more than one e-mail instructing me to vote?**

A: If you receive more than one set of proxy cards or more than one e-mail instructing you to vote, it means your shares are registered in more than one name or are registered in different accounts. Please complete, date, sign and return each proxy card or respond to each e-mail, to ensure that all your shares are voted.

**Q: Who is the inspector of election?**

A: The board of directors of El Paso has appointed a representative of Computershare Trust Company, N.A. to act as the inspector of election at the El Paso special meeting.

**Q: What if I do not vote on the proposed transactions?**

A: If you fail to respond with a vote on Proposal 1, the merger proposal, or if you respond and indicate that you are abstaining from voting on such Proposal, it will have the same effect as a vote against Proposal 1. If you are a beneficial owner holding your shares in street name and do not provide voting instructions to the broker, bank, trustee or other nominee that holds your shares of record (referred to as a broker non-vote ), such broker non-vote will have the same effect as a vote against Proposal 1.

**Q: Where can I find the voting results of the El Paso special meeting?**

A: The preliminary voting results will be announced at the El Paso special meeting. In addition, within four business days following certification of the final voting results, El Paso intends to file the final voting results with the SEC on Form 8-K.

**Q: What are the proposed transactions with Kinder Morgan upon which I am being asked to vote?**

A: On October 16, 2011, El Paso, New El Paso, Merger Sub One, Kinder Morgan, Merger Sub Two and Merger Sub Three entered into the merger agreement attached as Annex A.

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The merger agreement contemplates the acquisition of El Paso by Kinder Morgan through a series of steps:

- ***The First Merger***: First, Merger Sub One will merge with and into El Paso, with El Paso as the surviving corporation. This merger is referred to in this document as the first merger and the surviving corporation of the first merger is referred to as the EP Surviving Company. The first merger will occur on the terms and subject to the conditions of the first merger agreement. At the effective time of the first merger, each share of El Paso common stock will be converted into a share of New El Paso common stock.

- ***The LLC Conversion***: Second, the EP Surviving Company will be converted from a Delaware corporation into a Delaware limited liability company.

- ***The Second Merger***: Third, at least twenty days after the LLC conversion, Merger Sub Two will merge with and into New El Paso, with New El Paso as the surviving corporation. This merger is referred to in this document as the second merger, and the surviving corporation of the second merger is referred to as the New EP Surviving Company. At the effective time of the second merger, each share of New El Paso common stock will be converted into the right to receive the merger consideration, as described below. It is upon completion of this step that El Paso stockholders, who will be New El Paso stockholders following the first merger, will be entitled to receive the merger consideration in exchange for their shares.

- ***The Third Merger***: Last, the New EP Surviving Company will merge with and into Merger Sub Three, with Merger Sub Three as the surviving limited liability company.

Upon completion of the transactions, El Paso will be a direct, wholly owned subsidiary of Merger Sub Three, and Merger Sub Three, in turn, will be a direct, wholly owned subsidiary of Kinder Morgan. See The Merger Agreement The Transactions.

**Q: What will I receive for my El Paso shares in the proposed transactions with Kinder Morgan?**

A: At the effective time of the first merger, each outstanding share of El Paso common stock will be converted into one share of New El Paso common stock. At the effective time of the second merger, each share of New El Paso common stock issued and outstanding immediately prior to the effective time of the second merger (excluding shares held by New El Paso in treasury, any shares held by Kinder Morgan, Merger Sub Two or Merger Sub Three and any shares held by any other subsidiary of Kinder Morgan or New El Paso and dissenting shares in accordance with Delaware law) will be converted into the right to receive, at the election of the holder but subject to proration with respect to the stock and cash portion so that approximately 57% of the aggregate merger consideration (excluding the warrants) is paid in cash and approximately 43% (excluding the warrants) is paid in Kinder Morgan Class P common stock, one of the following:

- 0.9635 of a share of Kinder Morgan Class P common stock (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $31.14 on a rounded basis) and 0.640 of a warrant (which has an assumed value of $0.96 and is referred to as the Per Share Warrant Consideration ) to purchase one share of Kinder Morgan Class P common stock (any such election referred to as a stock election );

- $25.91 in cash without interest and the Per Share Warrant Consideration (any such election referred to as a cash election ); or

- 0.4187 of a share of Kinder Morgan Class P common stock (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $13.53 on a rounded basis), $14.65 in cash without interest and the Per Share Warrant Consideration (any such election referred to as a mixed election ).

The closing price of El Paso common stock as of February 23, 2012 was $26.77 per share.

See The Merger Agreement Transaction Consideration.

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**Q: What will happen to my El Paso stock options, restricted shares and performance-based restricted stock units in the proposed transactions with Kinder Morgan?**

A: At the effective time of the first merger, each outstanding stock option to purchase shares of El Paso common stock, restricted share of El Paso common stock and performance-based restricted stock unit will be converted into an equivalent award of New El Paso. At the effective time of the second merger, each such converted stock option, restricted share and performance-based restricted stock unit will be converted into the right to receive, at the election of the holder (which election will apply to all, but not less than all, of such holder s outstanding equity awards), but subject to proration, as described elsewhere in this document, with respect to the cash portion, either cash or a mixture of cash and shares of Kinder Morgan Class P common stock for all shares subject to such awards (in the case of stock options, less the aggregate exercise price). Such holders will also receive the warrants as part of the merger consideration. Holders of such converted stock options, restricted shares and performance-based restricted stock units (and, as described in more detail on pages 198, 199 and 200 of this information statement/proxy statement/prospectus, common stock purchased in respect of options, if any, outstanding under the El Paso ESPP as of immediately prior to closing) will not be able to make a stock election. In the case of performance-based restricted stock units, performance will be deemed to be attained at target. See The Merger Agreement Treatment of New El Paso Stock Options, Restricted Shares, Performance Restricted Stock Units and Employee Stock Purchase Plan.

**Q: Why are holders of El Paso stock options, restricted shares, performance-based restricted stock units and shares of New El Paso common stock purchased in respect of options, if any, outstanding under the El Paso ESPP as of immediately prior to closing not permitted to make a stock election?**

A: The qualification of the second merger and the third merger, taken together, as a reorganization for U.S. federal income tax purposes depends on compliance with certain technical requirements, including whether holders of New El Paso s common stock will receive a sufficient amount of Kinder Morgan Class P common stock to satisfy the continuity of interest test set forth in the Treasury regulations promulgated under Section 368(a) of the Code. The continuity of interest test requires that, after the second merger, a substantial part of the value of the proprietary interests in New El Paso be maintained through ownership of Kinder Morgan Class P common stock. Kinder Morgan Class P common stock issued to holders of New El Paso common stock is taken into account in determining whether the continuity of interest test is satisfied. However, Kinder Morgan Class P common stock issued to holders of New El Paso restricted shares or with respect to New El Paso stock options, New El Paso performance RSUs and New El Paso ESPP options is not so taken into account. Therefore, if the holders of such equity awards are permitted to make a stock election, it is possible that an insufficient number of shares of Kinder Morgan Class P common stock would be available (based on the aggregate number of shares of Kinder Morgan Class P common stock that the parties had agreed would be issued as consideration in the transaction) for issuance to holders of New El Paso common stock to satisfy the continuity of interest test.

**Q: What will happen to El Paso shares held in the El Paso 401(k) plan?**

A: As of the date of this document, shares of El Paso common stock are held by the El Paso Corporation Retirement Savings Plan trust (referred to as the 401(k) Trust ). At the effective time of the second merger, such shares are expected to be converted into the merger consideration pursuant to the terms and conditions described above for other outstanding shares of El Paso common stock and in accordance with the terms and conditions of the El Paso Corporation Retirement Savings Plan and 401(k) Trust. El Paso anticipates taking certain actions required to ensure that the acquisition by the 401(k) Trust of warrants to purchase shares of Kinder Morgan Class P common stock in connection with the transactions, and the subsequent holding and disposition by the 401(k) Trust of such warrants, will comply with applicable law.

**Q: What are the terms of the warrants to be used as part of the merger consideration?**

A: The warrants will be issued pursuant to a warrant agreement in the form of and on the terms specified in the form of warrant agreement (attached as Annex D to this document). Each warrant will entitle its holder to purchase one share of Kinder Morgan Class P common stock at an exercise price of $40.00 per share, subject to specified adjustments, at any time during the 5-year period following the closing of the transactions. See The Warrant Agreement.

**Q: Why is El Paso proposing the transactions with Kinder Morgan?**

A: In the course of reaching its decision to approve the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, El Paso s board of directors considered a number of factors in its deliberations. For a more complete discussion of these factors, see The Transactions Recommendation of El Paso s Board of Directors and Reasons for the Transactions.

**Q: What votes of El Paso stockholders are needed to approve the proposed transactions with Kinder Morgan?**

A: The affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of El Paso common stock is required to approve the proposed transactions with Kinder Morgan.

**Q: How and when do I make my cash, stock or mixed election?**

A: You will receive a form of election in a separate mailing following the El Paso special meeting. You should carefully review and follow the instructions accompanying that form of election. You will make your cash, stock or mixed election by properly completing, signing and returning the form of election along with stock certificates (or evidence of shares in book-entry form) representing El Paso shares to Computershare Trust Company, N.A., the entity expected to serve as exchange agent in connection with the transactions.

New El Paso will redisseminate a copy of this information statement/proxy statement/prospectus to its stockholders at the time the election forms are mailed. New El Paso stockholders will have a minimum of twenty business days from the mailing of the form of election to make their election. Kinder Morgan will publicly announce the anticipated election deadline at least five business days prior to the election deadline.

Do NOT submit any stock certificates (or evidence of shares in book-entry form) with your proxy card.

For more details on the election procedures, see The Transactions New El Paso Stockholders Making Elections.

**Q: Can I change my election after the form of election has been submitted?**

A: Yes. You may revoke your election prior to the election deadline by submitting a written notice of revocation to the exchange agent or by submitting new election materials. Revocations must specify the name in which your shares are registered on the stock transfer books of El Paso and such other information as the exchange agent may request. If you wish to submit a new election, you must do so in accordance with the election procedures described in this information statement/proxy statement/prospectus and in the form of election that you will receive in a separate mailing. If you instructed a broker, bank, trustee or other nominee to submit an election for your shares, you must follow the directions of your broker, bank, trustee or other nominee for changing those instructions. **Whether you revoke your election by submitting a written notice of revocation or by submitting new election materials, the notice of materials must be received by the exchange agent by the election deadline in order for the revocation or new election to be valid.** See The Transactions New El Paso Stockholders Making Elections Election Revocation and Changes.

**Q: How may I transfer El Paso shares after I make my election?**

A: El Paso stockholders who have made elections will be unable to sell or otherwise transfer their shares after making the election, unless the election is properly revoked before the election deadline or unless the merger

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agreement is terminated. See The Transactions New El Paso Stockholders Making Elections Impact of Selling Shares as to which an Election has Already Been Made.

**Q: What if I do not send a form of election or it is not received?**

A: If the exchange agent does not receive a properly completed form of election from you before the election deadline, together with any stock certificates (or evidence of shares in book-entry form) representing the shares you wish to exchange for the merger consideration, properly endorsed for transfer, book-entry transfer shares or a guarantee of delivery and any additional documents required by the procedures set forth in the form of election, then you will have no control over the type of merger consideration you receive. El Paso stockholders not making an election will be deemed to have made a mixed election. See The Transactions New El Paso Stockholders Making Elections Non-Electing Holders. **You bear the risk of delivery and should send any form of election by courier or by hand to the appropriate address shown in the form of election.**

If you do not make a valid election with respect to any El Paso shares you own of record, you will receive written instructions from the exchange agent after completion of the proposed transactions on how to exchange your El Paso shares for the merger consideration.

**Q: May I submit a form of election even if I do not vote to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement?**

A: Yes. You may submit a form of election even if you vote against the adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement or if you abstain from voting.

**Q: How will I receive the merger consideration to which I am entitled?**

A: You will be paid the merger consideration as promptly as practicable after the effective time of the second merger and after receipt by the exchange agent of your stock certificates (or evidence of shares in book-entry form), a duly executed letter of transmittal and any additional documents required by the procedures set forth in the form of election or the letter of transmittal. In lieu of any fractional shares of Kinder Morgan Class P common stock or warrants to which an El Paso stockholder would otherwise be entitled, such stockholder will receive cash. No interest will be paid or accrued on any cash amounts received as merger consideration or in lieu of any fractional shares or warrants. See The Transactions Exchange of Shares.

**Q: What happens if I sell my El Paso shares after the record date but before the special meeting?**

A: If you transfer your El Paso shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive the merger consideration. In order to receive the merger consideration, you must hold your shares through the completion of the transactions.

**Q: Am I entitled to appraisal rights under the DGCL instead of receiving the merger consideration?**

A: Yes. As a holder of El Paso common stock, you are entitled to exercise appraisal rights under Delaware law in connection with the second merger by taking certain actions and meeting certain conditions. Holders of El Paso common stock do not, however, have appraisal rights in connection with the first merger.

See The Transactions Appraisal Rights in Connection with the Second Merger and The First Merger Agreement. In addition, a copy of Section 262 of the DGCL is attached to this document as Annex H.

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**Q: What are the expected tax consequences to El Paso stockholders of the proposed transactions with Kinder Morgan?**

A: The parties intend for each of (1) the first merger and the LLC conversion, taken together, and (2) the second merger and the third merger, taken together, to be treated as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code.

It is a condition to El Paso s obligation and Kinder Morgan s obligation to complete the transactions that El Paso receive an opinion from Wachtell, Lipton, Rosen & Katz, dated as of the date of the first merger, to the effect that the first merger and the LLC conversion, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. It is also a condition to El Paso s obligation and Kinder Morgan s obligation to complete the transactions that El Paso receive an opinion from Wachtell, Lipton, Rosen & Katz, dated as of the closing date of the second merger and the third merger, to the effect that the second merger and third merger, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In addition, in connection with the filing of the registration statement of which this document is a part, Wachtell, Lipton, Rosen & Katz has delivered an opinion to El Paso and Kinder Morgan to the same effect as the opinions described above and addressing the U.S. federal income tax consequences of the transactions as described in The Transactions Material U.S. Federal Income Tax Consequences of the Transactions. These opinions will be based on facts, representations and assumptions set forth or referred to in the opinions and on representation letters provided by El Paso and Kinder Morgan.

Accordingly, and based on the foregoing opinions, (a) a holder of El Paso common stock will not recognize any gain or loss on the exchange of such holder s El Paso common stock for New El Paso common stock in the first merger, and (b) a holder of New El Paso common stock who receives consideration including Kinder Morgan Class P common stock in the second merger will recognize gain (but not loss) on the exchange of such holder s New El Paso common stock for Kinder Morgan Class P common stock and/or cash (other than cash received in lieu of a fractional share or fractional warrant) and warrants in an amount equal to the lesser of (1) the sum of the amount of cash and the fair market value of the Kinder Morgan Class P common stock and warrants received by such holder in the exchange, minus the adjusted tax basis of such holder s New El Paso common stock surrendered in exchange therefor, and (2) the amount of cash (other than cash in lieu of a fractional share or fractional warrant) received by such holder in the exchange. The second merger will be a fully taxable transaction to a holder who receives solely cash and warrants in the second merger.

The tax consequences of the transactions to each holder of El Paso common stock may depend on such holder s particular facts and circumstances. El Paso shareholders are urged to consult their tax advisors to understand fully the consequences to them of the transactions in their specific circumstances. A discussion of the material U.S. federal income tax consequences of the transactions can be found in the section entitled The Transactions Material U.S. Federal Income Tax Consequences of the Transactions.

**Q: What do I need to know about the first merger and the first merger agreement?**

A: If you vote in favor of Proposal 1, you are voting in favor of, among other things, adoption of the first merger agreement and approval of the first merger.

The first merger is an internal step occurring among El Paso and two of its merger subsidiaries. El Paso s indirect, wholly owned subsidiary will be merged with and into it, and El Paso will continue as the surviving corporation. At the effective time of the first merger, each share of El Paso common stock will be converted into a share of New El Paso common stock. This will result in a new holding company structure but will not affect the merger consideration that El Paso stockholders will receive at the effective time of the second merger. Pursuant to the terms of the first merger agreement, the first merger will take place only if El Paso stockholders vote in favor of Proposal 1.

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For additional details on the first merger and the terms of the first merger agreement, see The First Merger Agreement and refer to the full text of the first merger agreement, a copy of which is attached as Annex B.

**Q: What are the terms of the voting agreement entered into in connection with the merger agreement?**

A: Simultaneously with the execution of the merger agreement, El Paso entered into a voting agreement with certain of Kinder Morgan s stockholders who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan. Pursuant to the terms of the voting agreement, these stockholders agreed, among other things, to vote their shares of Kinder Morgan voting common stock in favor of the issuance of Kinder Morgan Class P common stock and warrants to be issued as part of the merger consideration and of Kinder Morgan Class P common stock issuable upon exercise of the warrants. In addition, these stockholders agreed to retain collectively, until Kinder Morgan stockholder approval of such issuance is obtained or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve such issuance of Kinder Morgan Class P common stock and warrants.

For additional details on the terms of the voting agreement, see The Voting Agreement and refer to the full text of the agreement, a copy of which is attached as Annex C.

**Q: Is completion of the proposed transactions with Kinder Morgan subject to any conditions?**

A: Yes. In addition to the approval of the El Paso stockholders, the completion of the proposed transactions is subject to satisfaction or waiver of a number of closing conditions, including:

- Approval of the issuance of Kinder Morgan Class P common stock and warrants by Kinder Morgan stockholders;
- Approval for listing of the shares of Kinder Morgan Class P common stock that are deliverable to the stockholders of New El Paso as contemplated by the merger agreement on the NYSE and of the warrants that are deliverable to the stockholders of New El Paso as contemplated by the merger agreement on the NYSE, NASDAQ or such other exchanges, electronic trading networks or other suitable trading platforms as reasonably agreed by El Paso and Kinder Morgan;
- There being no law or injunction preventing or prohibiting consummation of the transactions;
- Expiration or termination of any applicable waiting period under the HSR Act;
- Effectiveness of a registration statement on Form S-4;
- Subject to specified materiality standards, the accuracy of the representations and warranties of the other party;
- Compliance by the other party in all material respects with its covenants;
- There not being a reduction in El Paso s good faith estimate of its net operating loss carryforwards for income tax purposes below $2.6 billion; and
- El Paso s receipt of a tax opinion from outside legal counsel.

The completion of the proposed transactions is not, however, conditioned on receipt of financing by Kinder Morgan. See The Merger Agreement Conditions to Completion of the Transactions and Financing Covenant; El Paso Cooperation.

**Q: When are the proposed transactions with Kinder Morgan expected to be completed?**

A: El Paso and Kinder Morgan hope to complete the transactions as soon as reasonably practicable and currently expect the closing of the second merger to occur in the second quarter of 2012. However, the transactions are subject to stockholder approvals and regulatory approvals and the satisfaction or waiver of other conditions, as described in the merger agreement, and it is possible that factors outside the control of El Paso or Kinder Morgan could result in the second merger being completed at an earlier time, a later time or not at all. There can be no assurance as to when or if the second merger will close.

**Q: What happens if the merger agreement is terminated?**

A: The merger agreement contains certain termination rights for both El Paso and Kinder Morgan, which are described in more detail in The Merger Agreement Termination. The merger agreement also provides that, upon termination of the merger agreement, under certain circumstances, El Paso may be required to pay Kinder Morgan a termination fee of $650 million or, in certain other circumstances, to reimburse Kinder Morgan for up to $20 million of its expenses plus certain of Kinder Morgan s financing-related expenses. In addition, the termination of the merger agreement will not relieve the parties from liability for fraud or willful breach of any covenant or agreement contained in the merger agreement. See The Merger Agreement Termination Fee.

**Q: Are there risks associated with the proposed transactions with Kinder Morgan that I should consider in deciding how to vote?**

A: Yes. There are a number of risks associated with all business combinations, including the proposed transactions. These risks and other risks particular to the proposed transactions are discussed in more detail in the section entitled Risk Factors. You are encouraged to read this entire section with particular care and also to refer to the SEC filings of El Paso incorporated by reference into this document. See the section entitled Where You Can Find More Information.

**Q: What happens if the proposed transactions with Kinder Morgan are not completed?**

A: If the merger agreement and first merger agreement are not adopted and the transactions contemplated by the merger agreement and the first merger agreement are not approved by El Paso stockholders, or if the transactions are not completed for any other reason, El Paso stockholders will not receive the merger consideration.

**Q: Why am I being asked to consider and cast an advisory (non-binding) vote on the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions?**

A: In July 2010, the SEC adopted new rules that require El Paso to seek a non-binding, advisory vote with respect to certain compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions (such payments referred to as change of control payments ). See El Paso Special Meeting Proposal No. 3 Advisory Vote on Change of Control Payments to El Paso Named Executive Officers.

**Q: What will happen if El Paso stockholders do not approve, on an advisory (non-binding) basis, the change of control payments?**

A: The vote on the change of control payments is a vote separate and apart from the vote to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement. Accordingly, you may vote in favor of Proposal 3 and not in favor of Proposal 1, or vice versa. Approval of the change of control payments on an advisory (non-binding) basis is not a condition to consummation of the proposed transactions with Kinder Morgan, and it is advisory in nature only, meaning it will not be binding on either El Paso or Kinder Morgan. Accordingly, because El Paso is contractually obligated to pay the compensation, if the proposed transactions with Kinder Morgan are completed, the compensation will be payable, subject only to the conditions applicable to such compensation payments, regardless of the outcome of the advisory vote.

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**Q: Who can help answer my questions?**

A: You may contact El Paso s proxy solicitor, MacKenzie Partners, Inc., with any questions about the proposals or how to vote or to request additional copies of any materials at:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

**Questions and Answers for Kinder Morgan Stockholders**

**Q: Why have I received this information statement/proxy statement/prospectus?**

A: This document is being delivered to you as an information statement to provide you notice of Kinder Morgan s special meeting and other information.

**Q: What actions are going to be taken by Kinder Morgan?**

A: Assuming the first merger agreement and the merger agreement are approved and adopted by El Paso s stockholders, and the transactions are thereafter completed, El Paso will become a wholly owned subsidiary of Kinder Morgan, and Kinder Morgan will pay to New El Paso stockholders (who, prior to the first merger, were El Paso stockholders), at the election of such stockholders but subject to proration, cash and/or newly issued shares of Kinder Morgan Class P common stock and, in each case, warrants to purchase shares of Kinder Morgan Class P common stock.

**Q: Is Kinder Morgan soliciting proxies to vote on any of these matters at the special meeting?**

A: No. Richard Kinder and certain other stockholders of Kinder Morgan who are party to a voting agreement with El Paso and who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan have agreed to vote their shares of Kinder Morgan voting common stock at the Kinder Morgan special meeting, in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until Kinder Morgan stockholder approval of such issuance is obtained or until the voting agreement is terminated, whichever is earlier, an amount of Kinder Morgan stock that is sufficient to approve the share and warrant issuance proposal. As a result, approval at the Kinder Morgan special meeting of the share and warrant issuance proposal is assured and no additional votes by other Kinder Morgan stockholders are required to effectuate the transactions.

**Q: If the vote is already assured, why is the Kinder Morgan board of directors holding a special meeting?**

A: The certificate of incorporation of Kinder Morgan requires that any vote or similar action required or permitted to be taken by holders of Kinder Morgan Class P common stock must be effected at a duly called annual or special meeting of holders of Kinder Morgan common stock who would be entitled to vote on the particular action.

**Q: What is the recommendation of Kinder Morgan s board of directors with respect to the share and warrant issuance proposal?**

A: The Kinder Morgan board of directors recommends that the holders of Kinder Morgan voting common stock vote FOR the share and warrant issuance proposal.

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**Q: Will any other matters be presented for a vote at the Kinder Morgan special meeting?**

A: At this time, Kinder Morgan is not aware of any other matters that will be presented for a vote at the Kinder Morgan special meeting.

**Q: When and where is the Kinder Morgan special meeting?**

A: The Kinder Morgan special meeting will be held at 10 a.m., local time, on March 2, 2012 at 500 Dallas Street, Suite 1000, Houston, Texas 77002.

**Q: Who can attend the Kinder Morgan special meeting?**

A: You are entitled to attend the special meeting if you are a holder of record or a beneficial owner of Kinder Morgan Class P common stock or Class A common stock as of the record date, if you hold a valid proxy to vote at the special meeting or if you are an invited guest of Kinder Morgan. See Kinder Morgan Special Meeting.

**Q: Who can vote at the Kinder Morgan special meeting?**

A: Holders of record at the close of business on January 20, 2012, the record date for the Kinder Morgan special meeting, of Kinder Morgan voting common stock will be entitled to notice of, and to vote at, the Kinder Morgan special meeting with respect to the proposal described above. Each of the shares of Kinder Morgan voting common stock issued and outstanding on the record date is entitled to one vote at the special meeting. However, because approval of the proposal is assured, **Kinder Morgan s board of directors is not soliciting your proxy to vote for the share and warrant issuance proposal.**

**Q: What is a quorum?**

A: In order for business to be conducted at the special meeting, a quorum must be present. A majority of the outstanding shares entitled to vote, present in person or by proxy, shall constitute a quorum.

**Q: What will I receive in the transactions?**

A: If the transactions are completed, Kinder Morgan stockholders will not receive any merger consideration and will continue to hold their shares of Kinder Morgan stock.

**Q: How many shares of Kinder Morgan Class P common stock will be issued in the transactions?**

A: Pursuant to the merger agreement, Kinder Morgan expects to issue approximately 329.1 million shares of Kinder Morgan Class P common stock, with the exact number of shares of Kinder Morgan Class P common stock to be issued dependent upon the number of shares of New El Paso common stock issued and outstanding as of the effective time of the second merger.

**Q: How many warrants to purchase shares of Kinder Morgan Class P common stock will be issued in the transactions?**

A: Pursuant to the merger agreement, Kinder Morgan expects to issue approximately 503.1 million warrants to purchase shares of Kinder Morgan Class P common stock, with the exact number of warrants to be issued dependent on the number of shares of New El Paso common stock issued and outstanding as of the effective time of the second merger.

**Q: Are there risks associated with these matters that I should be aware of?**

A: Yes. You should consider the risk factors set out in the section entitled Risk Factors.

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**Q: When do you expect the transactions to be completed?**

A: Kinder Morgan and El Paso hope to complete the transactions as soon as reasonably practicable and currently expect the closing of the second merger to occur in the second quarter of 2012. However, the transactions are subject to stockholder approvals, regulatory approvals and the satisfaction or waiver of other conditions, as described in the merger agreement, and it is possible that factors outside the control of Kinder Morgan or El Paso could result in the second merger being completed at an earlier time, a later time or not at all. There can be no assurance as to when or if the second merger will close.

**Q: Do I have dissenters rights or appraisal rights in connection with any of these transactions?**

A: Holders of shares of Kinder Morgan stock are not entitled to any dissenters rights or appraisal rights under the DGCL in connection with the second merger or any of the related transactions.

**Q: Who can help answer my questions?**

A: If you have any questions about any of these matters, including the transactions, or if you need additional copies of this document, you should contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

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## SUMMARY

*This summary highlights selected information described in more detail elsewhere in this document and the documents incorporated herein by reference, and may not contain all of the information that is important to you. To understand the transactions and the matters being voted on by Kinder Morgan and El Paso stockholders at their respective special meetings more fully, and to obtain a more complete description of the legal terms of the merger agreement, you should carefully read this entire document, including the Annexes, and the documents to which Kinder Morgan and El Paso refer you. Please see Where You Can Find More Information and Incorporation by Reference.*

### The Parties

**Kinder Morgan, Inc.**

500 Dallas Street, Suite 1000

Houston, Texas 77002

(713) 369-9000

Kinder Morgan is a publicly traded Delaware corporation, whose stock trades on the NYSE under the ticker KMI. Kinder Morgan is a leading pipeline transportation and energy storage company in North America. It owns an interest in or operates more than 37,000 miles of pipeline and 180 terminals. Its pipelines transport natural gas, gasoline, crude oil, $CO_2$ and other products, and its terminals store petroleum products and chemicals and handle such products as ethanol, coal, petroleum coke and steel. Kinder Morgan owns the general partner interest of Kinder Morgan Energy Partners, L.P., referred to as KMP, one of the largest publicly-traded pipeline limited partnerships in America. Combined, Kinder Morgan and KMP constitute the largest mid-stream energy entity in the United States with an enterprise value of approximately $65 billion.

More information about Kinder Morgan is also available on its website, *www.kindermorgan.com*. See also Information About Kinder Morgan. You should read carefully the business and financial information contained in this document and the documents incorporated by reference into this document. See Where You Can Find More Information and Incorporation by Reference.

**Sherpa Merger Sub, Inc.**

500 Dallas Street, Suite 1000

Houston, Texas 77002

(713) 369-9000

Sherpa Merger Sub, Inc., a Delaware corporation, is a direct wholly owned subsidiary of Kinder Morgan that was formed solely in contemplation of the transactions, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. Sherpa Merger Sub, Inc. has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement.

**Sherpa Acquisition, LLC**

500 Dallas Street, Suite 1000

Houston, Texas 77002

(713) 369-9000

Sherpa Acquisition, LLC, a Delaware limited liability company, is a direct wholly owned subsidiary of Kinder Morgan that was formed solely in contemplation of the transactions, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. Sherpa Acquisition, LLC has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement.

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**El Paso Corporation**

1001 Louisiana Street

Houston, Texas 77002

(713) 420-2600

El Paso Corporation is a publicly traded Delaware corporation, whose common stock trades on the NYSE under the ticker EP. It is an energy company that operates primarily in the natural gas transmission, exploration and production sectors of the energy industry. El Paso s purpose is to provide natural gas and related energy products in a safe, efficient and dependable manner. It offers natural gas transmission services to a range of customers, including natural gas producers, marketers and end-users, as well as other natural gas transmission, distribution and electric generation companies. El Paso s operations are conducted through two core segments: (1) pipelines and (2) exploration and production. El Paso is also the general partner of El Paso Pipeline Partners, L.P., referred to as EPB.

More information about El Paso is also available on its website, *www.elpaso.com*. See also Information About El Paso. You should read carefully the business and financial information contained in this document and the documents incorporated by reference into this document. See Where You Can Find More Information and Incorporation by Reference.

**Sirius Holdings Merger Corporation**

1001 Louisiana Street

Houston, Texas 77002

(713) 420-2600

Sirius Holdings Merger Corporation, a Delaware corporation, is a direct, wholly owned subsidiary of El Paso Corporation. It was formed by El Paso solely for the purpose of engaging in the transactions contemplated by the merger agreement, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement and the first merger agreement. Sirius Holdings Merger Corporation has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement.

**Sirius Merger Corporation**

1001 Louisiana Street

Houston, Texas 77002

(713) 420-2600

Sirius Merger Corporation, a Delaware corporation, is a direct, wholly owned subsidiary of Sirius Holdings Merger Corporation and an indirect, wholly owned subsidiary of El Paso Corporation. It was formed by El Paso solely for the purpose of engaging in the transactions contemplated by the merger agreement, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement and the first merger agreement. Sirius Merger Corporation has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement.

**Recent Developments**

On February 24, 2012, certain subsidiaries of El Paso entered into a Purchase and Sale Agreement with affiliates of Apollo Global Management L.L.C., Riverstone Holdings, LLC, Access Industries, Inc. and certain other parties to sell all of El Paso s exploration and production business (referred to as EP Energy and the sale

referred to as the EP Energy Sale ). The purchase price to be paid in the EP Energy Sale is approximately $7.15 billion payable in cash or other immediately available funds, subject to adjustments for certain items such as cash contributions or distributions, incurrence of indebtedness and title defects. El Paso s net operating loss carryforwards are expected to largely offset taxes associated with the sale of EP Energy, and thus almost the entirety of the proceeds from the EP Energy Sale are expected to be used to substantially reduce the debt borrowed by Kinder Morgan to fund the cash portion of its purchase of El Paso. The EP Energy Sale is subject to customary closing conditions, including clearance under the antitrust laws of the United States and the closing of the second merger. The Purchase and Sale Agreement also provides under certain circumstances for the payment of a termination fee by Kinder Morgan of $400 million. Pursuant to the merger agreement, Kinder Morgan is required to indemnify El Paso and its subsidiaries from any and all costs incurred by El Paso or its subsidiaries arising from or relating to the EP Energy Sale.

**The Transactions**

El Paso stockholders are receiving this document in connection with El Paso s solicitation of proxies for its special meeting of stockholders to vote on, among other things, the proposal to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement.

Kinder Morgan and El Paso, among others, have entered into the merger agreement. Kinder Morgan stockholders are receiving this document to inform them of the special meeting of Kinder Morgan stockholders to vote on the share and warrant issuance proposal. Richard Kinder and certain other stockholders of Kinder Morgan who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan, have agreed to vote their shares of Kinder Morgan voting common stock in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until the approval of the share and warrant issuance proposal or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal. **As a result, approval of the share and warrant issuance proposal at the Kinder Morgan special meeting is assured and no additional votes by other Kinder Morgan stockholders are required to effectuate the transactions.**

**Structure of the Transactions (See page 189)**

Upon the terms and subject to the conditions set forth in the merger agreement and in accordance with the DGCL and the DLLCA: (1) at the effective time of the first merger, Merger Sub One will merge with and into El Paso, with El Paso being the surviving corporation; (2) immediately thereafter, El Paso, as the surviving company of the first merger and a wholly owned subsidiary of New El Paso, will be converted into a Delaware limited liability company; (3) at least twenty days thereafter, Merger Sub Two will merge with and into New El Paso, with New El Paso being the surviving corporation and becoming a wholly owned subsidiary of Kinder Morgan; and (4) immediately thereafter, the surviving company of the second merger will merge with and into Merger Sub Three, with Merger Sub Three as the surviving company and remaining a wholly owned subsidiary of Kinder Morgan. The effect of the first merger will be that shares of El Paso common stock will be converted into shares of New El Paso common stock on a one-for-one basis. Similarly, each outstanding equity award with respect to El Paso common stock will be converted, on the same terms and conditions, into an equivalent equity award with respect to New El Paso common stock. At the effective time of the first merger, shares of El Paso common stock will cease to trade on the NYSE and the shares of New El Paso common stock will commence trading on the NYSE. The effect of the second merger will be that New El Paso and El Paso, a wholly owned subsidiary of New El Paso as a result of the first merger, will be acquired by Kinder Morgan and shares of New El Paso common stock will no longer be publicly traded. For diagrams depicting the structure of the mergers described above, see The Transactions Effect of the Transactions.

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**Transaction Consideration (See page 197)**

Upon completion of the first merger, each share of El Paso common stock issued and outstanding immediately prior to the effective time of the first merger will be converted into and exchanged for one share of New El Paso common stock. The rights pertaining to New El Paso common stock will be the same as the rights pertaining to El Paso common stock. Similarly, each outstanding equity award with respect to El Paso common stock will be converted, on the same terms and conditions, into an equivalent equity award with respect to New El Paso common stock.

Upon completion of the second merger, each share of New El Paso common stock issued and outstanding immediately prior to the effective time of the second merger (excluding shares held by New El Paso in treasury, any shares held by Kinder Morgan, Merger Sub Two or Merger Sub Three and any shares held by any other subsidiary of Kinder Morgan or New El Paso and dissenting shares in accordance with Delaware law) will be converted into the right to receive, at the election of the holder but subject to proration with respect to the stock and cash portion so that approximately 57% of the aggregate merger consideration (excluding the warrants) is paid in cash and approximately 43% (excluding the warrants) is paid in Kinder Morgan Class P common stock, one of the following:

0.9635 of a share of Kinder Morgan Class P common stock (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $31.14 on a rounded basis) and 0.640 of a warrant (which has an assumed value of $0.96 and is referred to as the Per Share Warrant Consideration ) to purchase one share of Kinder Morgan Class P common stock (any such election referred to as a stock election );

$25.91 in cash without interest and the Per Share Warrant Consideration (any such election referred to as a cash election ); or

0.4187 of a share of Kinder Morgan Class P common stock (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $13.53 on a rounded basis), $14.65 in cash without interest and the Per Share Warrant Consideration (any such election referred to as a mixed election ).

The closing price of El Paso common stock as of February 23, 2012 was $26.77 per share.

Below are two examples of how the proration and adjustment procedures would work with respect to the stockholder elections if (a) the cash consideration is oversubscribed and (b) the cash consideration is undersubscribed.

If 75% of the shares made a cash election and 25% made a stock election (so that the cash consideration is oversubscribed), then the cash election shares would be prorated such that rather than receiving $25.91 per share in cash, each share would receive $19.53 in cash and 0.2371 shares of Kinder Morgan Class P common stock. Each stock election share would receive 0.9635 shares of Class P common stock. Each New El Paso share would also receive 0.640 of a warrant to purchase one share of Kinder Morgan Class P common stock.

If 25% of the shares made a cash election and 75% made a stock election (so that the cash consideration is undersubscribed), then the stock election shares would be prorated such that rather than receiving 0.9635 shares of Class P common stock each, each share would receive $10.90 in cash and 0.5583 shares of Kinder Morgan Class P common stock. The cash election shares would receive $25.91 per share in cash. Each New El Paso share would also receive 0.640 of a warrant to purchase one share of Kinder Morgan Class P common stock.

Across the potential scenarios, regardless of the outcome of the elections, there will be the same aggregate number of shares of Kinder Morgan Class P common stock issued and the same aggregate amount of cash paid to New El Paso stockholders.

See The Transactions New El Paso Stockholders Making Elections Proration and Adjustment Procedures for more information on how the proration and adjustment procedures work.

Kinder Morgan will not issue any fractional shares of Kinder Morgan Class P common stock or fractional warrants in the second merger. Instead, a stockholder of New El Paso who otherwise would have received a fractional share of Kinder Morgan Class P common stock or fractional warrant will be entitled to receive, from the exchange agent appointed by Kinder Morgan pursuant to the merger agreement, a cash payment in lieu of such fractional shares or fractional warrants representing such holder s proportionate interest in the proceeds from the sale by the exchange agent of the number of excess shares of Kinder Morgan Class P common stock or excess warrants, as applicable, represented by the aggregate amount of fractional shares of Kinder Morgan Class P common stock and fractional warrants, as applicable.

Because the exchange ratios were fixed at the time the merger agreement was executed and because the market value of Kinder Morgan Class P common stock and the El Paso common stock/New El Paso common stock will fluctuate during the pendency of the transactions, New El Paso stockholders cannot be sure of the value of the merger consideration they elect to receive relative to the value of the shares of New El Paso common stock that they are exchanging. For example, for New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration, decreases in the market value of Kinder Morgan Class P common stock will negatively affect the value of the merger consideration that New El Paso stockholders receive, and increases in the market value of New El Paso common stock may mean that the merger consideration that New El Paso stockholders receive will be worth less than the market value of the shares of New El Paso common stock such stockholders are exchanging. See Risk Factors Risk Factors Relating to the Transactions Because the exchange ratios are fixed and because the market price of Kinder Morgan Class P common stock and El Paso common stock/New El Paso common stock will fluctuate, New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration cannot be sure of the market value of such merger consideration relative to the value of their shares of New El Paso common stock that they are exchanging. New El Paso stockholders are urged to obtain current market quotations for Kinder Morgan Class P common stock when they make their elections.

The value of the warrants is speculative because there is no existing trading market for them. Kinder Morgan and El Paso jointly agreed upon an assumed value of $0.96 for the Per Share Warrant Consideration for U.S. federal income tax purposes, which may not reflect the actual value of the Per Share Warrant Consideration. The agreed upon, assumed value of $0.96 for the Per Share Warrant Consideration is within the ranges of potential values calculated by Kinder Morgan s and El Paso s financial advisors. See Risk Factors Risk Factors Relating to the Transactions The value of the warrants that New El Paso stockholders will receive as part of the merger consideration is uncertain, and the warrants may have limited or no value.

**Treatment of El Paso Shares Held in El Paso 401(k) Plan Trust (See page 198)**

As of the date of this information statement/proxy statement/prospectus, shares of El Paso common stock are held by the El Paso Corporation Retirement Savings Plan trust (referred to as the 401(k) Trust ). El Paso anticipates taking certain actions required to ensure that the acquisition by the 401(k) Trust of warrants to purchase shares of Kinder Morgan Class P common stock in connection with the transactions, and the subsequent holding and disposition by the 401(k) Trust of such warrants, will comply with applicable law.

**Treatment of New El Paso Stock Options, Restricted Shares, Performance Restricted Stock Units and Employee Stock Purchase Plan (See page 198)**

For details on how New El Paso stock options, restricted shares, performance restricted stock units and the El Paso employee stock purchase plan will be treated pursuant to the transactions, see The Merger Agreement Treatment of New El Paso Stock Options, Restricted Shares, Performance Restricted Stock Units and Employee Stock Purchase Plan.

**El Paso Special Meeting (See page 76)**

The El Paso special meeting will be held on March 6, 2012, beginning at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002, unless postponed or adjourned to a later date.

All El Paso stockholders who held shares of record at the close of business on January 20, 2012, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting and any adjournment or postponement of the special meeting, provided that such shares remain outstanding on the date of the special meeting.

As of the record date, there were 773,738,056 shares of El Paso common stock outstanding, held by 24,815 holders of record. The affirmative vote of a majority of the outstanding shares of El Paso common stock as of the record date is required to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement. As of the record date, El Paso directors and executive officers and their affiliates, as a group, owned and were entitled to vote 4,462,083 shares of El Paso common stock, or approximately 0.577% of the outstanding El Paso common stock. These directors and executive officers have informed El Paso that they intend to vote their shares in favor of Proposals 1, 2 and 3, but none of El Paso s directors and executive officers has entered into any agreement obligating such director or executive officer to do so or to retain their currently owned shares of El Paso common stock.

For important information on the El Paso special meeting, see El Paso Special Meeting.

**Kinder Morgan Special Meeting (See page 84)**

The Kinder Morgan special meeting will be held on March 2, 2012, beginning at 10 a.m., local time, at 500 Dallas Street, Suite 1000, Houston, Texas 77002, unless postponed or adjourned to a later date. Only holders of Kinder Morgan voting common stock as of the record date will be entitled to notice of, and vote at, the special meeting. On January 20, 2012, the record date, there were 170,921,140 shares of Class P common stock and 535,972,387 shares of Class A common stock of Kinder Morgan issued and outstanding, representing all of the voting common stock of Kinder Morgan allowed to vote on the share and warrant issuance proposal to be presented at the special meeting. Each share of Class P common stock and each share of Class A common stock is entitled to one vote.

As of the record date, Kinder Morgan s directors and executive officers beneficially owned approximately 54,004,648 of the outstanding shares of Kinder Morgan Class P common stock, representing approximately 31.6% of the total outstanding shares of Kinder Morgan Class P common stock, and beneficially owned approximately 433,479,425 of the outstanding shares of Kinder Morgan Class A common stock, representing approximately 80.9% of the total outstanding shares of Kinder Morgan Class A common stock. The shares of Class P common stock and Class A common stock beneficially owned by Kinder Morgan directors and executive officers include 454,960,928 shares that are subject to the voting agreement. Kinder Morgan believes that each of its directors and executive officers intends to vote his or her shares in favor of approval of the share and warrant issuance proposal.

The affirmative vote of at least a majority of the votes cast (including abstentions) on the share and warrant issuance proposal by holders of shares of Kinder Morgan voting common stock present in person or by proxy and entitled to vote on the share and warrant issuance proposal is required to approve the proposal, so long as the total vote cast on the proposal represents at least a majority of the shares of Kinder Morgan voting common stock entitled to vote on the proposal, assuming a quorum is present. Richard Kinder and certain other stockholders of Kinder Morgan who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan, have agreed to vote their shares of Kinder Morgan voting common stock in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until the approval of the share and warrant issuance proposal or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal. Approval of the share and warrant issuance proposal being voted on at the Kinder Morgan special meeting is therefore assured and no further votes with respect to the proposal are needed.

**Recommendation of El Paso s Board of Directors and Reasons for the Transactions (See page 106)**

El Paso s board of directors recommends that El Paso stockholders vote FOR adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement.

In the course of reaching its decision to approve the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, El Paso s board of directors considered a number of factors in its deliberations. For a more complete discussion of these factors, see The Transactions Recommendation of El Paso s Board of Directors and Reasons for the Transactions.

**Opinion of El Paso s Financial Advisor (See page 115)**

At a meeting of El Paso s board of directors on October 16, 2011, Morgan Stanley & Co. LLC, which is referred to as Morgan Stanley, rendered to El Paso s board of directors its oral opinion, subsequently confirmed in writing, that as of October 16, 2011, and based upon and subject to the various assumptions, factors, qualifications and limitations set forth in its written opinion, the merger consideration to be received by the holders of shares of El Paso common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

**The full text of the written fairness opinion of Morgan Stanley, dated October 16, 2011, is attached as Annex E to this information statement/proxy statement/prospectus and is incorporated herein by reference. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. You should read the opinion carefully and in its entirety. Morgan Stanley s opinion is directed to El Paso s board of directors and addresses only the fairness from a financial point of view of the consideration to be received by the holders of shares of El Paso common stock pursuant to the merger agreement, as of the date of the opinion. It does not address any other aspect of the transactions contemplated by the merger agreement and expresses no opinion or recommendation as to the underlying decision of El Paso to engage in the proposed transactions or as to how any stockholder of El Paso or Kinder Morgan should vote at any stockholders meeting held in connection with the proposed transactions. Morgan Stanley s opinion does not in any manner address the prices at which the Kinder Morgan Class P common stock and the Kinder Morgan warrants will trade following consummation of the transactions or any time in the future. For additional information relating to the opinion of Morgan Stanley, see The Transactions Opinion of El Paso s Financial Advisor.**

**Recommendation of Kinder Morgan s Board of Directors and Reasons for the Transactions (See page 110)**

The Kinder Morgan board of directors recommends that holders of Kinder Morgan voting common stock vote FOR the share and warrant issuance proposal.

In the course of reaching its decision to approve the merger agreement and the transactions contemplated thereby, the Kinder Morgan board of directors considered a number of factors in its deliberations. Those factors are described in The Transactions Recommendation of Kinder Morgan s Board of Directors and Reasons for the Transactions.

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**Opinions of Kinder Morgan s Financial Advisors (See page 130)**

*Opinion of Evercore Group L.L.C. to the Kinder Morgan Board of Directors*

In connection with the transactions, Kinder Morgan retained Evercore Group L.L.C. (referred to as Evercore ), to act as a financial advisor to the Kinder Morgan board of directors. On October 16, 2011, at a meeting of the Kinder Morgan board of directors, Evercore rendered its oral opinion, subsequently confirmed by delivery of a written opinion on October 16, 2011, that, as of October 16, 2011 and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the merger consideration to be paid by Kinder Morgan pursuant to the merger agreement was fair, from a financial point of view, to Kinder Morgan.

**The full text of the written opinion of Evercore, dated as of October 16, 2011, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex F to this information statement/proxy statement/prospectus and is incorporated by reference in its entirety into this information statement/proxy statement/prospectus. You are urged to read this opinion carefully and in its entirety. Evercore s opinion was addressed to, and provided for the information and benefit of, the Kinder Morgan board of directors (in its capacity as such) in connection with its evaluation of the merger consideration from a financial point of view and did not address any other aspects or implications of the transactions. The opinion does not constitute a recommendation to the Kinder Morgan board of directors or to any other persons in respect of the transactions, including as to how any holder of shares of Kinder Morgan voting common stock should act or vote in respect of the Kinder Morgan share and warrant issuance proposal. Evercore s opinion does not address the relative merits of the transactions as compared to any other business or financial strategies that might be available to Kinder Morgan, nor does it address the underlying business decision of Kinder Morgan to engage in the transactions. Finally, Evercore did not express any opinion as to the price at which Kinder Morgan Class P common stock and, when listed for trading, the Kinder Morgan warrants, the common units of KMP, the shares of KMR, El Paso common stock or the common units of EPB will trade at any time.**

*Opinion of Barclays Capital Inc. to the Kinder Morgan Board of Directors*

Kinder Morgan engaged Barclays Capital Inc. (referred to as Barclays Capital ) to act as a financial advisor with respect to the transactions. On October 16, 2011, Barclays Capital rendered its oral opinion (which was subsequently confirmed in writing) to Kinder Morgan s board of directors that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the merger consideration to be paid by Kinder Morgan in the transactions was fair, from a financial point of view, to Kinder Morgan.

**The full text of Barclays Capital s written opinion, dated as of October 16, 2011, is attached as Annex G to this information statement/proxy statement/prospectus. Barclays Capital s written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays Capital in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The summary of Barclays Capital s opinion and the methodology that Barclays Capital used to render its opinion included herein is qualified in its entirety by reference to the full text of the opinion.**

**The First Merger and the First Merger Agreement (See page 187)**

The first merger is one of the transactions contemplated by the merger agreement and is the first in a series of steps through which Kinder Morgan would acquire El Paso. El Paso stockholders who vote in favor of Proposal 1 are voting in favor of, among other things, adoption of the first merger agreement and approval of the first merger.

For additional details on the first merger and the terms of the first merger agreement, see The First Merger Agreement and refer to the full text of the agreement, a copy of which is attached as Annex B.

**The Second Merger and the Merger Agreement (See page 189)**

The second merger is the merger pursuant to which El Paso will become a wholly owned subsidiary of Kinder Morgan. El Paso stockholders who vote in favor of Proposal 1 are voting in favor of, among other things, adoption of the merger agreement and approval of the second merger. Kinder Morgan and El Paso encourage you to read the entire merger agreement carefully because it is the principal document governing the transactions.

For additional details on the second merger and the merger agreement, see The Merger Agreement and refer to the full text of the agreement, a copy of which is attached as Annex A.

**The Voting Agreement (See page 216)**

Simultaneously with the execution of the merger agreement, El Paso entered into a voting agreement with certain of Kinder Morgan s stockholders who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan. Pursuant to the terms of the voting agreement, these stockholders agreed, among other things, to vote their shares of Kinder Morgan voting common stock in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until Kinder Morgan stockholder approval of such proposal is obtained or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal.

For additional details on the terms of the voting agreement, see The Voting Agreement and refer to the full text of the agreement, a copy of which is attached as Annex C.

**Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors (See page 160)**

When considering the recommendation of the board of directors of El Paso with respect to the transactions, you should be aware that El Paso s executive officers and directors may have interests in the transactions that are different from, or in addition to, those of El Paso s stockholders more generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. The board of directors of El Paso was aware of these interests during its deliberations on the merits of the transactions and in deciding to recommend that El Paso stockholders vote for the adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement at the special meeting. These interests include:

- The automatic vesting and conversion upon the consummation of the second merger of outstanding stock options to purchase shares of El Paso common stock, restricted shares of El Paso common stock and performance-based restricted stock units into the right to receive, at the election of the holder (which election will apply to all of such holder s outstanding equity awards), but subject to proration with respect to the cash portion, either (1) cash and warrants or (2) a mixture of cash, shares of Kinder Morgan Class P common stock and warrants for all shares subject to such awards (in the case of stock options, less the aggregate exercise price). Performance-based restricted stock units will vest upon the consummation of the second merger based on the target (i.e., 100%) level of attainment. El Paso estimates that the aggregate amount that would be received by El Paso s executive officers who are not named executive officers for their unvested equity-based awards if the effective time of the second merger were October 31, 2011 is approximately $16 million. El Paso s non-employee directors do not hold any unvested equity-based awards. The aggregate amount that would be received by El Paso s executive officers who are named executive officers for their unvested equity-based awards if the effective time of the second merger were October 31, 2011 is approximately $53 million. For a more detailed description of these payments, the circumstances under which they become payable and the assumptions used to calculate the above amount, please refer to the table and the accompanying footnotes under The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors Quantification of Change of Control and Termination Payments and Benefits to the El Paso Named Executive Officers.

In the event of a termination of employment without cause or a resignation for good reason, in each case within two years following (or, under certain circumstances, in anticipation of) a change of control of El Paso, which would include the second merger, all of El Paso s executive officers (except for James J. Cleary) would receive certain compensation and benefits under El Paso s 2004 Key Executive Severance Protection Plan, including (1) a lump-sum cash severance payment, (2) payment of a prorated amount in respect of the target bonus granted to the executive for the year in which the termination occurs, (3) continuation of life insurance and flexible spending account, medical and dental benefits for the executive and the executive s dependents for a number of years equal to the executive s severance multiple and (4) payment of legal fees and expenses incurred by the executive to enforce any rights or benefits under the plan. In addition, El Paso s executive officers would also be eligible for reimbursement of excise taxes imposed under Section 4999 of the Code on any severance payments and other benefits provided by El Paso or any of its affiliates under the plan or otherwise, unless the value of the payments and benefits does not exceed 110% of the maximum amount payable without triggering such excise taxes (referred to as the safe harbor amount ), in which case the payments and benefits will be reduced to such safe harbor amount. In the case of Mr. Cleary, in the event of a termination of employment without cause or a resignation for good reason, in each case within two years following (or, under certain circumstances, in anticipation of) a change of control of El Paso, which would include the second merger, he would receive certain compensation and benefits under El Paso s 1998 Key Executive Severance Protection Plan, including (1) a lump-sum cash severance payment, (2) continuation of life insurance and flexible spending account, medical and dental benefits for the executive and the executive s dependents (on a tax-free basis) for eighteen months, (3) payment of legal fees and expenses incurred by the executive to enforce any rights or benefits under the plan, (4) a lump-sum supplemental pension payment pursuant to El Paso s supplemental pension plan calculated by adding three years of additional service and (5) a transfer to the executive of any right, title or other ownership interest El Paso has in any car or club membership then being provided to the executive. In addition, Mr. Cleary is entitled to receive full reimbursement of any excise taxes imposed under Section 4999 of the Code on any severance payments and other benefits provided by El Paso or any of its affiliates under the plan or otherwise. The aggregate amount of payments that would be payable to El Paso s executive officers who are named executive officers in the event of a termination of employment without cause or a resignation for good reason, in each case within two years following (or, under certain circumstances, in anticipation of) a change of control of El Paso, which would include the second merger, is approximately $19 million. For a more detailed description of these payments, the circumstances under which they become payable and the assumptions used to calculate the above amount, please refer to the table and the accompanying footnotes under The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors Quantification of Change of Control and Termination Payments and Benefits to the El Paso Named Executive Officers.

As of the date of mailing of this information statement/proxy statement/prospectus, certain of El Paso s executive officers, including Brent Smolik and Dane Whitehead, have been designated as participants in the El Paso Corporation EP Energy Retention Plan adopted pursuant to the merger agreement and will be eligible to receive certain retention bonus payments (to the extent earned). As described in more detail under The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors Retention Plan Bonus Payments, the value of any retention bonuses payable pursuant to the El Paso Corporation EP Energy Retention Plan will be dependent upon the level of gross sale proceeds from the sale of EP Energy assets and the time such assets are sold.

Two individuals to be designated by El Paso are expected to become directors of Kinder Morgan. Kinder Morgan has agreed in the merger agreement to take all action necessary, including increasing the size of its board of directors and amending its shareholders agreement, to elect two individuals designated by El Paso to the Kinder Morgan board of directors as of the effective time of the merger.

For a more detailed discussion of these interests, see The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors.

**Interests of Certain Persons in the Transactions Goldman Sachs (See page 165)**

When considering the recommendation of the board of directors of El Paso with respect to the transactions, you should be aware that Goldman Sachs may have interests in the transactions that are different from, or in addition to, those of El Paso s stockholders generally. Prior to the receipt of Kinder Morgan s acquisition proposal, El Paso engaged Goldman Sachs to advise it with respect to the proposed spin-off of its exploration and production business and paid Goldman Sachs $5 million in connection with that engagement. Following receipt of Kinder Morgan s proposal, El Paso engaged Goldman Sachs to continue to act as a financial advisor to El Paso, including reviewing and analyzing El Paso s business plan in connection with the proposed spin-off for purposes of aiding El Paso in its analysis of the potential Kinder Morgan transaction. In the engagement letter for these latter services, El Paso agreed to pay Goldman Sachs a fee of $20 million upon completion of a transaction with Kinder Morgan. In both engagement letters, El Paso agreed to reimburse Goldman Sachs for certain of its fees and expenses and indemnify it against certain liabilities if they were to arise. In addition to its role as a financial advisor to El Paso, Goldman Sachs is also a stockholder of Kinder Morgan and, prior to consummation of the proposed transactions, may be deemed to beneficially own approximately 19 percent of the shares of Kinder Morgan Class P common stock on a fully converted basis, making it the second largest beneficial holder. Two representatives of Goldman Sachs and its affiliates also serve on the board of directors of Kinder Morgan. For more information relating to Goldman Sachs role as a financial advisor to El Paso, Goldman Sachs investment in Kinder Morgan and El Paso s and Goldman Sachs actions to address any potential conflicts, see The Transactions Background of the Transactions, El Paso s Engagement of Goldman Sachs and Interests of Certain Persons in the Transactions Goldman Sachs.

**Accounting Treatment of the Transactions (See page 174)**

In accordance with accounting principles generally accepted in the United States and in accordance with the Financial Accounting Standards Board s Accounting Standards Codification Topic 805 *Business Combinations*, Kinder Morgan will account for the transactions as an acquisition of a business.

**Material U.S. Federal Income Tax Consequences of the Transactions (See page 170)**

The parties intend for each of (1) the first merger and the LLC conversion, taken together, and (2) the second merger and the third merger, taken together, to be treated as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code.

It is a condition to El Paso s obligation and Kinder Morgan s obligation to complete the transactions that El Paso receive an opinion from Wachtell, Lipton, Rosen & Katz, dated as of the date of the first merger, to the effect that the first merger and the LLC conversion, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. It is also a condition to El Paso s obligation and Kinder Morgan s obligation to complete the transactions that El Paso receive an opinion from Wachtell, Lipton, Rosen & Katz, dated as of the closing date of the second merger and the third merger, to the effect that the second merger and third merger, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. These conditions are waivable, and El Paso and Kinder Morgan will undertake to recirculate and resolicit if either condition is waived and the change in tax consequences is material. In addition, in connection with the filing of the registration statement of which this document is a part, Wachtell, Lipton, Rosen & Katz has delivered an opinion to El Paso and Kinder Morgan to the same effect as the opinions described above and addressing the U.S. federal income tax consequences of the transactions as described in The Transactions Material U.S. Federal Income Tax Consequences of the Transactions. These opinions will be based on facts, representations and assumptions set forth or referred to in the opinions and on representation letters provided by El Paso and Kinder Morgan.

Accordingly, and based on the foregoing opinions, (a) a holder of El Paso common stock will not recognize any gain or loss on the exchange of such holder s El Paso common stock for New El Paso common stock in the first merger and (b) a holder of New El Paso common stock who receives consideration including Kinder Morgan Class P common stock in the second merger will recognize gain (but not loss) on the exchange of such holder s New El Paso common stock for Kinder Morgan Class P common stock and/or cash (other than cash received in lieu of a fractional share or fractional warrant) and warrants in an amount equal to the lesser of (1) the sum of the amount of cash and the fair market value of the Kinder Morgan Class P common stock and warrants received by such holder in the exchange, minus the adjusted tax basis of such holder s New El Paso common stock surrendered in exchange therefor, and (2) the amount of cash (other than cash in lieu of a fractional share or fractional warrant) received by such holder in the exchange. The second merger will be a fully taxable transaction to a holder who receives solely cash and warrants in the second merger.

The tax consequences of the transactions to each holder of El Paso common stock may depend on such holder s particular facts and circumstances. El Paso stockholders are urged to consult their tax advisors to understand fully the consequences to them of the transactions in their specific circumstances.

**Board of Directors and Management of Kinder Morgan After the Transactions (See page 166)**

The directors and executive officers of Kinder Morgan prior to the transactions will continue as the directors and executive officers of Kinder Morgan immediately after the transactions. In addition, the merger agreement provides that Kinder Morgan will take all action necessary, including increasing the size of the Kinder Morgan board and amending Kinder Morgan s shareholders agreement to effect such increase, to elect two individuals designated by El Paso to the Kinder Morgan board of directors.

**Conditions to Completion of the Transactions (See page 191)**

Kinder Morgan and El Paso currently expect to complete the transactions during the second quarter of 2012, subject to receipt of required stockholder and regulatory approvals and the satisfaction or waiver of the conditions to the transactions. As more fully described in this document and in the first merger agreement, El Paso s and Merger Sub One s obligation to complete the first merger is conditioned upon the merger agreement and the first merger agreement having been approved by the affirmative vote of the holders of a majority of the outstanding El Paso common stock as of the record date.

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As more fully described in this document and in the merger agreement, each party s obligation to complete the transactions depends on a number of conditions being satisfied or, where legally permissible, waived, including the following:

the merger agreement and the first merger agreement must have been approved by the affirmative vote of the holders of a majority of the outstanding El Paso common stock as of the record date;

the waiting period applicable to the merger under the HSR Act must have been terminated or expired;

no law, injunction, judgment or ruling enacted, promulgated, issued, entered amended or enforced by any governmental authority shall be in effect enjoining, restraining, preventing or prohibiting consummation of the transactions or making the consummation of the transactions illegal;

the registration statement of which this information statement/proxy statement/prospectus forms a part must have been declared effective by the SEC and must not be subject to any stop order or proceedings initiated or threatened by the SEC; and

El Paso must have received from Wachtell, Lipton, Rosen & Katz, tax counsel to El Paso, (1) at the effective time of the first merger, a written opinion to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the first merger and the LLC conversion, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and (2) a written opinion dated as of the date of the closing of the second merger and third merger to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the second merger and the third merger, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

The obligations of each of Kinder Morgan, Merger Sub Two and Merger Sub Three to effect the transactions are subject to the satisfaction or waiver of the following additional conditions:

the accuracy of the representations and warranties of El Paso, subject to certain standards, including materiality and material adverse effect qualifications, as described under The Merger Agreement Conditions to Completion of the Transactions and receipt of a certificate signed by an executive officer of El Paso on its behalf to that effect;

the performance by El Paso in all material respects of its obligations under the merger agreement and receipt of a certificate signed by an executive officer of El Paso on its behalf to that effect; and

(1) the receipt of a certification from an authorized officer of El Paso, no earlier than thirty days prior to, and no later than ten days prior to, the date of the consummation of the second merger and third merger, setting forth El Paso s good faith estimate of El Paso s net operating loss carryforwards for U.S. federal income tax purposes as of January 1, 2012 (taking into account certain assumptions), and (2) that there shall not have been an NOL MAE, as described under The Merger Agreement Conditions to Completion of the Transactions.

The obligations of each of El Paso, New El Paso and Merger Sub One to effect the transactions are subject to the satisfaction or waiver of the following additional conditions:

the accuracy of the representations and warranties of Kinder Morgan, subject to certain standards, including materiality and material adverse effect qualifications, as described under The Merger Agreement Conditions to Completion of the Transactions, and receipt of a certificate signed by an executive officer of Kinder Morgan on its behalf to that effect;

the performance by Kinder Morgan in all material respects of its obligations under the merger agreement and receipt of a certificate signed by an executive officer of Kinder Morgan on its behalf to that effect;

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the issuance of shares of Kinder Morgan Class P common stock and the warrants (including shares of Kinder Morgan Class P common stock to be issued upon exercise of the warrants) to be issued in connection with the second merger must have been approved by a majority of the votes cast at its special meeting by the holders of a majority of the aggregate voting power of Kinder Morgan capital stock in accordance with requirements of the NYSE; and

(1) the shares of Kinder Morgan Class P common stock that are deliverable to the stockholders of New El Paso as contemplated by the merger agreement must have been authorized for listing on the NYSE, subject to official notice of issuance and (2) the warrants that are deliverable to the stockholders of New El Paso as contemplated by the merger agreement must have been authorized for listing on either the NYSE, NASDAQ or such other exchange(s), electronic trading networks or other suitable trading platforms as are reasonably agreed to by Kinder Morgan and El Paso.

**Regulatory Approvals Required to Complete the Transactions (See page 174)**

Completion of the transactions contemplated by the merger agreement is subject to the expiration or termination of any applicable waiting period under the HSR Act. Kinder Morgan and El Paso have filed the required notification and report forms with the U.S. antitrust authorities, and on December 5, 2011, Kinder Morgan and El Paso each received a Request for Additional Information and Documentary Materials from the FTC. In addition, the parties have sought the approval of the Federal Energy Regulatory Commission (referred to as the FERC ) under Section 203 of the Federal Power Act with respect to the indirect transfer of control to Kinder Morgan of El Paso s wholesale electric power marketing subsidiary and the wholesale power contracts to which it is a party. See The Transactions Regulatory Approvals.

**Termination of the Merger Agreement (See page 202)**

Kinder Morgan and El Paso may terminate the merger agreement at any time prior to effective time of the second merger, whether before or after the stockholders of El Paso have approved the merger agreement and the first merger agreement:

by the mutual consent of Kinder Morgan and El Paso;

by either Kinder Morgan or El Paso, if:

the closing of the second merger has not occurred on or before June 30, 2012 or, if the condition requiring expiration or termination of any applicable waiting period under the HSR Act is not met or if the condition that there is no law prohibiting the transactions is not met, either party may elect to extend until December 31, 2012, subject to certain exceptions discussed in The Merger Agreement Termination;

any governmental entity has issued a final and non-appealable law or order or taken any other final and non-appealable action enjoining or otherwise prohibiting consummation of the transactions contemplated by the merger agreement;

stockholders of El Paso do not adopt the merger agreement and the first merger agreement at a meeting of the stockholders of El Paso or any adjournment or postponement of such meeting; or

there is a breach by the non-terminating party of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice by the terminating party;

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by Kinder Morgan, if:

either (1) El Paso withdraws, modifies or qualifies, or proposes publicly to withdraw, modify or qualify, in a manner adverse to Kinder Morgan, El Paso s board of directors recommendation that its stockholders adopt the merger agreement or publicly recommends the approval or adoption of, or publicly approves or adopts, or proposes to publicly recommend, approve or adopt, any takeover proposal or (2) within five business days of receipt of a written request from Kinder Morgan (which request must be reasonable in terms of number and timing), El Paso fails to publicly reconfirm El Paso s board of directors recommendation that its stockholders adopt the merger agreement; or

prior to the adoption of the merger agreement and the first merger agreement by the stockholders of El Paso, El Paso is in willful breach of its obligations to (1) hold a special meeting of its stockholders and, through El Paso s board of directors, recommend the adoption of the merger agreement to El Paso s stockholders or (2) comply with its non-solicitation obligations relating to takeover proposal described under The Merger Agreement No-Solicitation by El Paso of Takeover Proposals, subject to certain exceptions discussed in The Merger Agreement Termination;

by El Paso, if:

prior to the receipt of approval from Kinder Morgan s stockholders of the share and warrant issuance proposal, Kinder Morgan is in willful breach of its obligations to hold a special meeting of its stockholders for the purpose of obtaining such approval and through Kinder Morgan s board of directors, recommend to its stockholders that such approval be obtained; or

prior to the adoption of the merger agreement and the first merger agreement by the stockholders of El Paso, if El Paso enters into an agreement with respect to a superior proposal, so long as (1) El Paso, in compliance with the terms of the merger agreement (including its requirements described under The Merger Agreement No-Solicitation by El Paso of Takeover Proposals, concurrently enters into a definitive acquisition agreement with respect to a superior proposal and (2) prior to or concurrently with such termination, El Paso pays the termination fee described under The Merger Agreement Termination Fee.

**Expenses and Termination Fees Relating to the Transactions (See pages 204 and 205)**

Generally, all fees and expenses incurred in connection with the transactions will be the obligation of the respective party incurring such fees and expenses, except Kinder Morgan and El Paso will each pay one-half of the expenses incurred in connection with the filing, printing and mailing of this information statement/proxy statement/prospectus. Further, Kinder Morgan has agreed to pay the amount of any documentary, sales, use, real property transfer, real property gains, registration, value-added, transfer, stamp, recording and other similar taxes imposed on Kinder Morgan, El Paso, or any of New El Paso s subsidiaries or stockholders in connection with the merger agreement and the transactions.

Following termination of the merger agreement under specified circumstances, El Paso may be required to pay Kinder Morgan a termination fee of $650 million and, under specified circumstances, El Paso may be required to pay all documented out-of-pocket expenses incurred by Kinder Morgan in connection with the transactions (subject to a cap of $20 million) and certain financing-related expenses of Kinder Morgan.

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**Financing (See page 217)**

On February 10, 2012, Kinder Morgan entered into the following agreements: (i) an amendment (referred to as the Revolving Amendment ) to KMK s existing $1.0 billion revolving credit facility dated May 30, 2007 (such facility, prior to its amendment and restatement pursuant to such amendment, referred to as the Existing Revolving Facility ) to permit, among other things, the transactions contemplated by the merger agreement, to fund, in part, the transactions and related costs and expenses, to provide for KMK to directly or indirectly merge with Kinder Morgan, with Kinder Morgan succeeding KMK as borrower under such facility (referred to as the KMK Merger ) and to provide for ongoing working capital and for other general corporate purposes, (ii) an incremental joinder agreement (the Incremental Joinder ) which provides for $750 million in additional commitments under the Existing Revolving Facility, effective upon the amendment and restatement of the Existing Revolving Facility (such Existing Revolving Facility, as amended and restated by the Revolving Amendment and as modified by the Incremental Joinder, referred to as the Amended and Restated Credit Facility ) and (iii) an acquisition debt facilities credit agreement containing a $6.8 billion 364-day facility and a $5.0 billion 3-year term loan facility (referred to as the Acquisition Credit Facility ), the proceeds of which shall be used to finance a portion of the cash consideration and related fees and expenses to be paid in connection with the transactions.

For a full description of Kinder Morgan s debt financing for the transactions, see the section entitled Description of the Debt Financing. The proceeds of this financing will be used (1) to repay or redeem certain indebtedness of El Paso outstanding on the closing date of the second merger, which at December 31, 2011 was approximately $575 million, (2) to fund the cash consideration for the transactions of approximately $11.5 billion, (3) to pay fees and expenses in connection with the transactions and the debt financing of approximately $300 million, and (4) in the case of the undrawn portion of the Amended and Restated Credit Facility, to finance working capital needs and for general corporate purposes.

**Comparison of Rights of Holders of El Paso Common Stock and Kinder Morgan Common Stock**

**(See page 241)**

As a result of the second merger, the holders of El Paso common stock that receive shares of Kinder Morgan Class P common stock will become stockholders of Kinder Morgan. Following the second merger, these El Paso stockholders will have different rights as stockholders of Kinder Morgan than as stockholders of El Paso due to the different provisions of the governing documents of El Paso and Kinder Morgan. These differences are described in more detail under Comparison of Rights of Common Stockholders of Kinder Morgan and El Paso.

**Appraisal Rights in Connection with the Transactions (See page 181)**

**Under the DGCL, El Paso stockholders have the right to seek appraisal in connection with the second merger. Failure to strictly comply with the procedures and requirements of Section 262 of the DGCL may result in termination or waiver of such stockholder s appraisal rights. Due to the complexity of Delaware law relating to appraisal rights, if any El Paso stockholder is considering exercise of his or her appraisal rights, such stockholder is encouraged to seek the advice of his or her own legal counsel. A summary of the procedures and requirements under Delaware law to exercise appraisal rights is included in the section entitled The Transactions Appraisal Rights in Connection with the Second Merger and the text of Section 262 of the DGCL is included as Annex H.**

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## Selected Historical Consolidated Financial Data

### Kinder Morgan Selected Historical Consolidated Financial Data

You should read the following selected historical consolidated financial data of Kinder Morgan and KMK together with Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus. For accounting purposes, KMK is considered the predecessor of Kinder Morgan for the period ended on May 31, 2007, the date of closing for Kinder Morgan s Going Private Transaction.

The statement of income and statement of cash flows data for the years ended December 31, 2011, 2010 and 2009 and the balance sheet data as of December 31, 2011 and 2010 have been derived from the audited consolidated financial statements of Kinder Morgan incorporated by reference into this information statement/proxy statement/prospectus. The statement of operations and statement of cash flows data for the year ended December 31, 2008 and the seven months ended December 31, 2007 and the balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from audited consolidated financial statements of Kinder Morgan which are not incorporated by reference into this information statement/proxy statement/prospectus. The statement of operations and statement of cash flows data for the five months ended May 31, 2007 have been derived from audited consolidated financial statements of KMK which are not incorporated by reference into this information statement/proxy statement/prospectus.

The selected historical consolidated financial data is not indicative of Kinder Morgan s expected future operating results. Further, the selected historical financial information

- for periods prior to February 15, 2008, does not reflect Kinder Morgan s sale of 80% of NGPL and the application of the approximately $5.9 billion of proceeds from that sale; and

- for the period ended May 31, 2007, does not reflect the Going Private Transaction which was accounted for as a business combination, requiring that Kinder Morgan record the assets acquired and liabilities assumed at their estimated fair values as of the date of the Going Private Transaction, resulting in a new basis of accounting.

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| | Kinder Morgan, Inc.(1) Year Ended December 31, | | | | Seven Months Ended December 31, | KMK Five Months Ended May 31, |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2007 |
| | (In millions, except per share amounts) | | | | | |
| **Statement of income data:** | | | | | | |
| Revenues | $ 8,264.9 | $ 8,190.6 | $ 7,185.2 | $ 12,094.8 | $ 6,394.7 | $ 4,165.1 |
| Operating income (loss)(2)(3)(4)(5)(6) | 1,538.7 | 1,280.7 | 1,407.2 | (2,472.1) | 1,042.8 | 204.8 |
| Earnings (loss) from equity investments(7) | 313.1 | (186.2) | 221.9 | 201.1 | 56.8 | 40.7 |
| Income (loss) from continuing operations(8) | 652.2 | 300.3 | 772.8 | (3,202.3) | 286.6 | (142.0) |
| Income (loss) from discontinued operations, net of tax(9) | 7.8 | (0.7) | 0.3 | (0.9) | (1.5) | 298.6 |
| Net income (loss) | 660.0 | 299.6 | 773.1 | (3,203.2) | 285.1 | 156.6 |
| Net income attributable to noncontrolling interests(10) | (65.6) | (340.9) | (278.1) | (396.1) | (37.6) | (90.7) |
| Net income (loss) attributable to Kinder Morgan, Inc./KMK(11) | 594.4 | (41.3) | 495.0 | (3,599.3) | 247.5 | 65.9 |
| Net income per share of Class P common stock (basic and diluted)(12) | 0.74 | | | | | |
| Unaudited pro forma net income (loss) per share of Class P common stock (basic and diluted)(13) | | (0.06) | 0.70 | (5.09) | 0.35 | |
| **Statement of cash flows data:** | | | | | | |
| Capital expenditures(14): | | | | | | |
| Kinder Morgan, Inc./KMK | 0.6 | 1.6 | 0.5 | 12.3 | 170.9 | 77.3 |
| KMP and its subsidiaries(15) | 1,199.5 | 1,000.9 | 1,323.8 | 2,533.0 | 1,116.1 | 575.5 |
| Cash dividends/distributions to stockholders/members(16) | 769.6 | 700.0 | 650.0 | | 83.7 | 234.9 |
| Declared dividends per share of Class P common stock(17) | 1.05 | | | | | |
| **Balance sheet data (end of period):** | | | | | | |
| Net property, plant and equipment | 17,926.0 | 17,070.7 | 16,803.5 | 16,109.8 | 14,803.9 | |
| Total assets | 30,717.0 | 28,908.1 | 27,581.0 | 25,444.9 | 36,195.8 | |
| Long-term debt: | | | | | | |
| Kinder Morgan, Inc./KMK(18) | 2,045.6 | 2,879.2 | 2,882.0 | 2,880.9 | 8,641.8 | |
| KMP and its subsidiaries(19) | 11,159.5 | 10,277.4 | 9,997.7 | 8,274.9 | 6,455.9 | |
| Total long-term debt(20) | 13,205.1 | 13,156.6 | 12,879.7 | 11,155.8 | 15,097.7 | |

(1) Includes significant impacts resulting from the Going Private Transaction. See note 2 to Kinder Morgan s consolidated financial statements in Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus, for additional information.

(2) Includes non-cash goodwill impairment charges of $4,033.3 million in the year ended December 31, 2008.

(3) Includes a goodwill impairment charge of $377.1 million in the five months ended May 31, 2007 relating to KMP s acquisition of Trans Mountain Pipeline from KMK effective April 30, 2007.

(4) Includes a $172.0 million litigation reserve in the year ended December 31, 2010 related to KMP s West Coast pipeline rate cases.

(5) Includes a $200.0 million litigation reserve in the year ended December 31, 2010 related to the Going Private Transaction litigation settlement. See note 16 to Kinder Morgan s consolidated financial statements in Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus, for additional information.

(6) Includes (i) a $234.3 million increase in expense primarily associated with adjustments to KMP s rate case reserve and rights-of-way lease payment obligations and (ii) $100 million for a special bonus paid to certain non-senior management employees that was funded through $64 million (after-tax) in available earnings and profits reserved for this purpose and not paid in dividends to Kinder Morgan s Class A shareholders in the year ended December 31, 2011.

(7) Includes a $430.0 million impairment charge in the year ended December 31, 2010 to reduce the carrying value of Kinder Morgan s investment in NGPL.

(8) Includes a $167.2 million loss from the remeasurement of KMP s previously held 50% equity interest in KinderHawk Field Services LLC to fair value in the year ended December 31, 2011.

(9) In the five months ended May 31, 2007, primarily relates to the Canada-based and U.S. retail gas distribution businesses and the Corridor Pipeline System that Kinder Morgan owned.

(10) Includes application of new accounting policies for noncontrolling interests adopted in 2009 in accordance with Accounting Standards Codification Topic 810, Consolidation, and applied to all years presented. See note 2 to Kinder Morgan s consolidated financial statements in Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus, for additional information.

(11) Includes an approximate $106.6 million reduction in the income Kinder Morgan recognized for its general partner interest in KMP due to a KMP distribution of cash from an interim capital transaction in the year ended December 31, 2010. See note 16 to Kinder Morgan s consolidated financial statements in Kinder

Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus, for additional information.

(12) Net income per share of Class P common stock is calculated using the two-class method, and Kinder Morgan s Class A, Class B and Class C shares, collectively referred to as the investor retained stock, are participating securities. The investor retained stock is convertible into a fixed aggregate number of Class P shares. Earnings are allocated to each class of stock based on the amount of

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dividends declared in the current period for each class of stock plus an allocation of the undistributed earnings or the excess distribution over earnings to the extent each security shares in earnings, which for the investor retained stock is in direct proportion to the maximum number of Class P shares it can convert. Thus, there is no difference between basic and diluted earnings per share because the conversion of Class A, Class B and Class C shares into Class P shares does not impact the number of Class P shares on a fully converted basis.

(13) Earnings per share are pro forma for the Kinder Morgan initial public offering and the conversion of Kinder Morgan Holdco LLC from a Delaware limited liability company to a Delaware corporation named Kinder Morgan, Inc., both of which occurred in February 2011. The diluted per share computation is calculated by dividing total net income attributable to Kinder Morgan by 707,000,000 shares, which includes (i) the 109,786,590 shares of Class P common stock sold in Kinder Morgan s initial public offering, (ii) the related conversions of 1,110,738 Class A shares into Class P shares made shortly thereafter and (iii) the 596,102,672 shares of Class P common stock into which the investor retained stock was then convertible.

(14) Capital expenditures shown are for continuing operations only.

(15) Includes capital expenditures of Trans Mountain Pipeline, which KMP acquired from KMK effective April 30, 2007. In accordance with applicable accounting standards, amount for 2007 includes capital expenditures of Trans Mountain for the four months prior to the acquisition date.

(16) Represents dividends or distributions paid during the period.

(17) The declared dividend for the first quarter of 2011 was $0.14, which was a prorated amount from February 16, 2011, the day Kinder Morgan closed its initial public offering. Based on a full quarter, the first quarter dividend amounted to $0.29 per share. If Kinder Morgan had been a public company for the entire year, the declared dividend would have been $1.20 per share ($0.29, $0.30, $0.30 and $0.31 per share for the first, second, third and fourth quarters of 2011, respectively).

(18) Includes the preferred stock interest in the general partner of KMP. Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for KMK and its subsidiaries (excluding KMP and its subsidiaries) totaled $72.4 million, $51.4 million, $28.5 million, $19.7 million and $47.5 million as of December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(19) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for KMP and its subsidiaries totaled $1,078.9 million, $604.9 million, $332.5 million, $951.3 million and $152.2 million as of December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(20) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps totaled $1,151.3 million, $656.3 million, $361.0 million, $971.0 million and $199.7 million as of December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

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**El Paso Selected Historical Consolidated Financial Data**

The following selected historical consolidated financial data as of December 31, 2011 to 2008 and for the years ended December 31, 2011 to 2007 is derived from the audited consolidated financial statements for El Paso and its subsidiaries. The selected financial data as of December 31, 2007 is derived from the unaudited consolidated financial statements adjusted to reflect the adoption in 2009 of new presentation and disclosure requirements for noncontrolling interests. The selected financial data is not necessarily indicative of results to be expected in future periods and should be read together with El Paso s Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference into this information statement/proxy statement/prospectus.

| | El Paso Corporation and Subsidiaries Year Ended December 31, (in millions, except per share amounts) | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Operating Results data:** | | | | | |
| Operating revenues | $ 4,860 | $ 4,616 | $ 4,631 | $ 5,363 | $ 4,648 |
| Net income (loss) | 427 | 924 | (474) | (789) | 442 |
| Net income (loss) attributable to El Paso s common stockholders | 141 | 721 | (576) | (860) | 1,073 |
| Earnings (loss ) per common share from continuing operations attributable to El Paso s common stockholders: | | | | | |
| Basic | 0.19 | 1.03 | (0.83) | (1.24) | 0.57 |
| Diluted | 0.18 | 1.00 | (0.83) | (1.24) | 0.57 |
| Cash dividends declared per common share | 0.04 | 0.04 | 0.16 | 0.18 | 0.16 |
| **Balance Sheet data (end of period):** | | | | | |
| Total assets | 24,314 | 25,270 | 22,505 | 23,668 | 24,579 |
| Long-term financing obligations, less current maturities | 12,605 | 13,517 | 13,391 | 12,818 | 12,483 |
| Preferred stock of subsidiaries | | 698 | 145 | | |
| Total equity | 7,135 | 6,064 | 3,991 | 4,596 | 5,845 |

During the year ended December 31, 2011, El Paso recorded non-cash charges in conjunction with the deconsolidation of Ruby Pipeline Holding Company, L.L.C., referred to as Ruby, of approximately $475 million based on the difference between the net carrying value of Ruby and the estimated fair value of El Paso s investment in Ruby and $125 million related to the recognition of the accumulated other comprehensive loss associated with interest rate swaps on Ruby s debt. El Paso also recognized a non-cash full cost ceiling test charge in its Brazilian full cost pool of approximately $152 million, and debt extinguishment losses of approximately $169 million associated with debt repurchase activity. During 2011 and 2010, EPB issued common units, net of issuance costs, of approximately $0.9 billion and $1.3 billion, respectively. During 2009 and 2008, El Paso recorded non-cash full cost ceiling test charges of $2.1 billion and $2.7 billion, principally as a result of declines in commodity prices. In 2007, El Paso sold its ANR pipeline system and related assets and also completed the initial public offering of common units in EPB.

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**Selected Unaudited Pro Forma Condensed Combined Financial Information**

The transactions will be accounted for under the purchase method of accounting, which means the assets and liabilities of El Paso will be recorded, as of the closing date of the transactions, at their respective estimated fair values and added to those of Kinder Morgan. For a more detailed description of the purchase method of accounting, see The Transactions Accounting Treatment of the Transactions in this information statement/proxy statement/prospectus.

Set forth below is selected unaudited pro forma condensed combined financial information that reflects the purchase method of accounting and gives effect to the transactions, in the case of the statement of income information, as though the second merger had occurred as of January 1, 2011 and, in the case of the balance sheet information, as though the second merger had occurred as of December 31, 2011.

The unaudited pro forma condensed combined financial information has been prepared giving effect to (1) the issuance of shares of Kinder Morgan Class P common stock, (2) the incurrence of debt primarily associated with the cash portion of the purchase price and (3) the issuance of warrants, all as part of the merger consideration.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations or financial position of Kinder Morgan would have been if the transactions had in fact occurred on the dates or for the periods indicated, nor does it purport to project the results of operations or financial position of Kinder Morgan for any future periods or as of any date. The unaudited pro forma condensed combined financial information does not give effect to any cost savings, operating synergies, and revenue enhancements expected to result from the acquisition or the costs to achieve these cost savings, operating synergies, and revenue enhancements. In addition, the unaudited pro forma condensed combined financial information presents EP Energy Corporation, El Paso s exploration and production business, as current assets and liabilities held for sale as of December 31, 2011 and discontinued operations beginning January 1, 2011, as Kinder Morgan intends to sell the assets of EP Energy in conjunction with the closing of the second merger.

The following selected unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes presented elsewhere in this information statement/proxy statement/prospectus.

| | Year Ended December 31, 2011 (in millions, except per share data) |
|---|---|
| **Condensed Combined Statement of Income from Continuing Operations Information:** | |
| Operating revenues | $ 11,213.6 |
| Income from continuing operations | 714.2 |
| Net income attributable to Kinder Morgan | 443.4 |
| Diluted earnings per share of Class P common stock from continuing operations | 0.33 |
| Diluted weighted average number of Class P shares outstanding | 1,036.8 |

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| | | As of December 31, 2011 (in millions) |
|---|---|---|
| **Condensed Combined Balance Sheet Information:** | | |
| Total assets | $ | 77,156.3 |
| Long-term debt | $ | 31,965.6 |
| Total liabilities | $ | 52,963.1 |
| Total Kinder Morgan stockholders equity | $ | 14,531.0 |
| Non-controlling interest | | 9,662.2 |
| Total stockholders equity | $ | 24,193.2 |

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## Unaudited Comparative Per Share Information of Kinder Morgan and El Paso

The following table sets forth selected historical, unaudited pro forma for IPO, unaudited pro forma for IPO and EP and unaudited pro forma equivalent per share information of Kinder Morgan and El Paso.

### Kinder Morgan Per Share of Class P Common Stock

*Historical.* The Kinder Morgan historical per share information set forth below is derived from Kinder Morgan s audited consolidated financial statements as of and for the year ended December 31, 2011.

*Pro Forma for IPO*. The unaudited pro forma for IPO per share information of Kinder Morgan set forth below gives pro forma effect to Kinder Morgan s conversion from a limited liability company to a corporation and its initial public offering, both of which occurred in February 2011, as if they had been effective on January 1, 2011. These transactions are referred to as the IPO. Since Kinder Morgan was a limited liability company that converted into a corporation in February 2011, the unaudited Kinder Morgan pro forma for IPO per share information provides comparable period to period information and a baseline of that information for comparison to the unaudited pro forma for IPO and EP per share information described below.

*Pro Forma for IPO and EP.* The unaudited pro forma for IPO and EP per share information of Kinder Morgan set forth below gives effect to (i) the above described IPO and (ii) the second merger under the purchase method of accounting, as if the second merger had been effective on January 1, 2011, in the case of earnings per share and cash dividends per share data, and December 31, 2011, in the case of book value per share data, and assuming that 0.4187 of a share of Kinder Morgan Class P common stock, and 0.640 of a Kinder Morgan warrant, had been issued in exchange for each outstanding share of El Paso common stock. In addition, this unaudited pro forma combined per share information assumes the impact to earnings from continuing operations for the debt to be incurred in conjunction with the transactions that was not allocated to discontinued operations.

### El Paso Per Share of Common Stock

*Historical*. The El Paso historical per share information set forth below is derived from El Paso s audited consolidated financial statements as of and for the year ended December 31, 2011.

*Equivalent Pro Forma*. The unaudited El Paso equivalent pro forma per share amounts below are calculated by multiplying the unaudited Kinder Morgan Per Share of Class P Common Stock pro forma for IPO and EP amounts by the exchange ratio for the stock only election of 0.9635.

### General

You should read the information set forth below in conjunction with the selected historical and pro forma financial information of Kinder Morgan and El Paso and the historical financial statements and related notes of Kinder Morgan that are incorporated by reference into this information statement/proxy statement/prospectus, and the historical financial statements and related notes of El Paso that are incorporated into this information statement/proxy statement/prospectus by reference. See Unaudited Pro Forma Condensed Combined Financial Information, Where You Can Find More Information and Incorporation by Reference.

The accounting for an acquisition of a business is based on the authoritative guidance for business combinations. Purchase accounting requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the date the second merger is completed. The allocation of the purchase price is dependent upon certain valuations of El Paso s assets and liabilities and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments reflect the assets and liabilities of El Paso at their preliminary estimated fair values.

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Differences between these preliminary estimates and the final purchase accounting will occur, and these differences could have a material impact on the unaudited pro forma combined per share information set forth in the following table.

The unaudited pro forma for IPO and EP per share information of Kinder Morgan does not purport to represent the actual results of operations that Kinder Morgan would have achieved or dividends that would have been declared had the companies been combined during this period or to project the future results of operations that Kinder Morgan may achieve or the dividends it may declare after the second merger.

| | As of and for the Year Ended December 31, 2011 |
|---|---|
| **Kinder Morgan Per Share of Class P Common Stock** | |
| Income from continuing operations basic (a) | |
| Historical | $ 0.73 |
| Pro forma for IPO (b) | $ 0.83 |
| Pro forma for IPO and EP (c) (d) | $ 0.33 |
| Income from continuing operations diluted (a) | |
| Historical | $ 0.73 |
| Pro forma for IPO (b) | $ 0.83 |
| Pro forma for IPO and EP (c) (d) | $ 0.33 |
| Cash dividends declared | |
| Historical (e) | $ 1.05 |
| Pro forma for IPO (b) (f) | $ 1.20 |
| Pro forma for IPO and EP (c) (g) | $ 0.85 |
| Book Value | |
| Historical | $ 4.70 |
| Pro forma for IPO (b) (h) | $ 4.70 |
| Pro forma for IPO and EP (c) (i) | $ 14.02 |
| **El Paso Per Share of Common Stock** | |
| Income (loss) from continuing operations basic | |
| Historical | $ 0.19 |
| Equivalent pro forma (j) | $ 0.32 |
| Income (loss) from continuing operations diluted | |
| Historical | $ 0.18 |
| Equivalent pro forma (j) | $ 0.32 |
| Cash dividends declared | |
| Historical | $ 0.04 |
| Equivalent pro forma (j) | $ 0.82 |
| Book Value | |
| Historical | $ 5.69 |
| Equivalent pro forma (j) | $ 13.51 |

(a) Earnings per share amounts are calculated using the two-class method. Earnings are allocated to each class of common stock based on the amount of dividends declared in the current period for each class of stock plus an allocation of the undistributed earnings or excess distributions over earnings to the extent that each security shares in undistributed earnings or excess distributions over earnings. For the investor retained stock, the allocation of undistributed earnings or excess distributions over earnings is in direct proportion to the maximum number of Class P shares into which it can convert.

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For the Class P diluted per share computations, total net income attributable to Kinder Morgan is divided by the adjusted weighted average shares outstanding during the period, including all dilutive potential shares. This includes the weighted average number of Class P shares into which the investor retained stock was convertible during the period. Thus, the number of Class P shares on a fully-converted basis is the same before and after any conversion of investor retained stock. Each time one Class P share is issued upon conversion of investor retained stock, the number of Class P shares goes up by one, and the number of Class P shares into which the investor retained stock is convertible goes down by one. Accordingly, there is no difference between Class P basic and diluted earnings per share because the conversion of Class A, Class B, and Class C shares into Class P shares does not impact the number of Class P shares on a fully-converted basis.

Earnings per share from discontinued operations was $0.01 for the period from February 16, 2011 to December 31, 2011.

(b) The pro forma for IPO amounts give pro forma effect to Kinder Morgan s conversion from a limited liability company to a corporation and its initial public offering as if they had occurred on January 1, 2011. Until February 10, 2011, Kinder Morgan was a Delaware limited liability company named Kinder Morgan Holdco LLC, which on that date was converted into a Delaware corporation named Kinder Morgan, Inc. On February 16, 2011, Kinder Morgan closed its initial public offering of common stock, in which 109,786,590 shares of Class P common stock were sold to the public. Shortly thereafter, there was a related conversion of 1,110,738 Class A shares to Class P shares. The outstanding shares of Kinder Morgan Class A, Class B and Class C common stock, or the investor retained stock, were then convertible into an aggregate of 596,102,672 shares of Class P common stock.

(c) The pro forma for IPO and EP amounts give effect to the IPO as described above and to the second merger under the purchase method of accounting, as if the second merger had been effective on January 1, 2011, in the earnings per share and cash dividends declared per share amounts, and December 31, 2011, in the book value per share amounts.

(d) Amounts are from the unaudited pro forma condensed combined financial statements included elsewhere in this information statement/proxy statement/prospectus.

(e) Amount represents cash dividends declared of $0.14 per share, $0.30 per share, $0.30 per share and $0.31 per share for the first, second, third and fourth quarters of 2011, respectively. The first quarter dividend of $0.14 per share was a prorated amount from February 16, 2011, the day Kinder Morgan closed its IPO.

(f) The amount is equal to the $0.91 per share historical cash dividends declared for the second, third and fourth quarters plus a full first quarter dividend. The first quarter cash dividend declared of $0.14 per share was a prorated amount as discussed in (e) above. Based on a full quarter, the cash dividend declared amount would have been $0.29 per share.

(g) The pro forma for IPO and EP cash dividends declared amount was computed as follows:

| | Year Ended December 31, 2011 (per share) |
|---|---|
| Kinder Morgan Per Share of Class P Common Stock | |
| Cash dividends declared pro forma for IPO | $ 1.20 |
| Dilution for new Class P shares issued(1) | (0.38) |
| El Paso cash dividends declared(2) | 0.03 |

| | | |
|---|---|---|
| Cash dividends declared pro forma for IPO and EP | $ | 0.85 |

(1) This amount was computed by multiplying Kinder Morgan s $1.20 per share cash dividends

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declared pro forma for IPO by the 329.2 million Class P shares expected to be issued in the second merger divided by the 1,036.8 million fully diluted Class P pro forma average shares outstanding during the period.

(2) This amount was computed by dividing El Paso s $30 million of cash dividends declared historically by 1,036.8 million fully diluted Class P pro forma average shares outstanding.

(h) This amount was calculated as $3,320.5 million of Kinder Morgan net book value divided by 706.9 million total Class P and Class A shares outstanding as of December 31, 2011.

(i) This amount was calculated by dividing shareholders equity as presented in the unaudited pro forma condensed combined financial statements included elsewhere in this information statement/proxy statement/prospectus by 1,036.1 million Class P and Class A pro forma shares outstanding as of December 31, 2011.

(j) Pro forma equivalent amounts are calculated by multiplying the Kinder Morgan per share of Class P common stock pro forma for IPO and EP amounts by the exchange ratio for the stock only election of 0.9635.

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## Comparative Stock Prices And Dividends

Kinder Morgan Class P common stock is listed on the NYSE under the symbol KMI. El Paso common stock is listed on the NYSE under the symbol EP. The following tables set forth the high and low sales prices per share of Kinder Morgan Class P common stock and El Paso common stock for the quarterly periods indicated, and the amount of cash dividends declared per share in respect of the periods indicated. Kinder Morgan Class P common stock began trading on the NYSE upon Kinder Morgan s initial public offering in February 2011.

| | Kinder Morgan Class P Common Stock | | |
|---|---|---|---|
| | Price Range | | Cash |
| | High | Low | Dividends |
| **2012** | | | |
| First quarter (through February 23, 2012) | $ 34.25 | $ 31.76 | |
| **2011** | | | |
| Fourth quarter | 32.25 | 24.66 | $ 0.31 |
| Third quarter | 29.45 | 23.51 | 0.30 |
| Second quarter | 29.97 | 26.87 | 0.30 |
| First quarter (beginning February 11, 2011) | 32.14 | 29.50 | 0.14(1) |

(1) This dividend was prorated from February 16, 2011, the day Kinder Morgan closed its initial public offering. Based on a full quarter, the dividend amounts to $0.29 per share.

| | El Paso Common Stock | | |
|---|---|---|---|
| | Price Range | | Cash |
| | High | Low | Dividends |
| **2012** | | | |
| First quarter (through February 23, 2012) | $ 27.39 | $ 25.80 | |
| **2011** | | | |
| Fourth quarter | 26.57 | 16.30 | $ 0.01 |
| Third quarter | 21.18 | 16.64 | 0.01 |
| Second quarter | 21.54 | 16.72 | 0.01 |
| First quarter | 18.77 | 13.42 | 0.01 |
| **2010** | | | |
| Fourth quarter | 14.08 | 12.00 | 0.01 |
| Third quarter | 12.93 | 10.60 | 0.01 |
| Second quarter | 13.00 | 10.17 | 0.01 |
| First quarter | 11.59 | 9.55 | 0.01 |

The following table sets forth the closing prices per share for Kinder Morgan Class P common stock and El Paso common stock on October 14, 2011, the last trading day prior to the public announcement of the merger, and on [ ], 2012, the last practicable trading day prior to the date of this information statement/proxy statement/prospectus. The table also sets forth the equivalent market value per share of El Paso common stock for the mixed consideration election shares and the stock election shares, assuming no proration and excluding the value of the warrants.

| | Closing Price per Share | |
|---|---|---|
| | October 14, 2011 | [ ], 2012 |
| Kinder Morgan Class P common stock | $ 26.89 | $ [ ] |
| El Paso common stock | 19.59 | [ ] |
| El Paso mixed consideration election share equivalent | 25.91 | [ ] |
| El Paso stock election share equivalent | 25.91 | [ ] |

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Because the merger consideration will not be adjusted for changes in the market price of either Kinder Morgan Class P common stock or El Paso common stock, the market value of the shares of Kinder Morgan Class P common stock that holders of El Paso common stock will have the right to receive on the date the second merger becomes effective may vary significantly from the market value of the shares of Kinder Morgan Class P common stock that holders of El Paso common stock would receive if the second merger were completed on the date of this information statement/proxy statement/prospectus. Therefore, you should obtain recent market prices of the Kinder Morgan and El Paso shares prior to voting. See Risk Factors Risk Factors Relating to the Transactions Because the exchange ratios are fixed and because the market price of Kinder Morgan Class P common stock and El Paso common stock/New El Paso common stock will fluctuate, New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration cannot be sure of the market value of such merger consideration relative to the value of their shares of New El Paso common stock that they are exchanging.

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## RISK FACTORS

*In evaluating Kinder Morgan, El Paso, their respective businesses, the combined company and the transactions, you should carefully consider the following risk factors, as well as the other information included in or incorporated by reference into this information statement/proxy statement/prospectus, before deciding how to vote. Additional risk factors may be found under Part I, Item 1A in each of Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011 and El Paso s Annual Report on Form 10-K for the year ended December 31, 2011, each of which is incorporated by reference into this information statement/proxy statement/prospectus. Realization of any of the risks described below, any of the events described under Cautionary Statement Regarding Forward-Looking Statements or any of the risks or events described in the information incorporated by reference could have a material adverse effect on Kinder Morgan s, El Paso s or the combined company s respective businesses, financial condition, cash flows and results of operations and could result in a decline in the trading price of their respective shares of common stock.*

### Risk Factors Relating to the Transactions

***Kinder Morgan and El Paso may be unable to obtain the regulatory clearances and approvals required to complete the transactions or, in order to do so, Kinder Morgan and El Paso may be required to comply with material restrictions or satisfy material conditions.***

The transactions are subject to review by the Antitrust Division of the Department of Justice (referred to as the Antitrust Division ) and the Federal Trade Commission (referred to as the FTC ) under the HSR Act, the Mexican Federal Competition Commission, the FERC under Section 203 of the Federal Power Act with respect to the indirect transfer of control to Kinder Morgan of El Paso s wholesale electric power marketing subsidiary and the wholesale power contracts to which it is a party, and potentially state regulatory authorities or foreign governmental authorities. The closing of the transactions is also subject to the condition that there be no law, injunction, judgment or ruling by a governmental authority in effect enjoining, restraining, preventing or prohibiting the transactions contemplated by the merger agreement. Kinder Morgan and El Paso can provide no assurance that all required regulatory approvals will be obtained. Further, Kinder Morgan has agreed to avoid or eliminate any impediment to the transactions that may be asserted by governmental entities under the antitrust laws, including divesting assets, terminating relationships or committing to limit Kinder Morgan s future freedom of action. If any governmental authority asserts any objections to the transactions, Kinder Morgan anticipates that it may be required to divest some assets in order to obtain antitrust approval. There can be no assurance as to the cost, scope or impact of the actions that may be required to obtain antitrust approval. If Kinder Morgan must take such actions, it could be detrimental to it or to the combined company following the consummation of the transactions. Furthermore, these actions could have the effect of delaying or preventing completion of the proposed transactions or imposing additional costs on or limiting the revenues of the combined company following the consummation of the transactions. See The Merger Agreement Regulatory Matters.

On December 5, 2011, Kinder Morgan and El Paso each received a Request for Additional Information and Documentary Materials (referred to as the Second Request ) from the FTC. Consequently, the waiting period under the HSR Act is extended until 11:59 p.m., Eastern Time, on the 30th day after both Kinder Morgan and El Paso have certified their substantial compliance with the Second Request, unless earlier terminated by the FTC. At any time before or after such statutory waiting period under the HSR Act expires or the parties receive early termination of the waiting period, the Antitrust Division or the FTC could take action under the antitrust laws to prevent or rescind the transactions, require the divestiture of assets or seek other remedies. Additionally, the FERC, state attorneys general or foreign governmental authorities could seek to block or challenge the transactions as they deem necessary or desirable in the public interest at any time, including after completion of the transactions. In addition, in some circumstances, a competitor, customer or other third party could initiate a private action under antitrust laws challenging or seeking to enjoin the transactions, before or after it is completed. Kinder Morgan may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

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***If Kinder Morgan s financing for the transactions is not funded, the transactions may not be completed and Kinder Morgan may be in breach of the merger agreement.***

Kinder Morgan intends to finance the cash required in connection with the transactions, including for expenses incurred in connection with the transactions, with debt financing. On February 10, 2012, Kinder Morgan entered into an amendment to KMK s existing $1.0 billion revolving credit facility to, among other things, permit the transactions contemplated by the merger agreement, and a new credit agreement to provide a $6.8 billion senior secured 364-day bridge term loan facility, a $5.0 billion senior secured three-year term loan facility and an incremental joinder agreement to provide an additional $750 million in commitments under the existing revolving credit facility, all effective upon completion of the merger. The obligation of the lenders to provide the debt financing is subject to various conditions, including the repayment of all amounts outstanding under and termination of El Paso s existing credit facility, consummation of the direct or indirect merger of KMK with Kinder Morgan and other customary closing conditions. In the event any of the closing conditions is not satisfied or waived, or to the extent one or more of the lenders is unwilling to, or unable to, fund its commitments under the debt financing, Kinder Morgan may be required to seek alternative financing or fund the cash required in connection with the merger itself. Due to the fact that there is no funding condition in the merger agreement, if Kinder Morgan is unable to obtain funding from its financing sources for the cash required in connection with the transactions, Kinder Morgan could be in breach of the merger agreement assuming all other conditions to closing are satisfied and may be liable to El Paso for damages.

***Due to a disagreement between El Paso and one of its joint venture partners, Kinder Morgan s and El Paso s ability to obtain the consents of the independent auditors of the joint venture and of El Paso to include or incorporate by reference their respective audit reports in Kinder Morgan s and El Paso s filings under the Securities Act and the Exchange Act may be severely limited. As a result, Kinder Morgan and/or El Paso may be inhibited or prevented from accessing the capital markets and/or making filings under the Securities Act and the Exchange Act.***

El Paso and another party are partners in a pipeline joint venture (referred to as the Joint Venture ) in which the other party is currently acting as the operator (referred to as the JV Operator ). In connection with a planned amendment to Kinder Morgan s Registration Statement on Form S-4, the JV Operator previously refused to provide a management representation letter to the independent auditor of the Joint Venture. The JV Operator has also indicated that it will continue to refuse to provide such management representation letters to the independent auditor for the Joint Venture except in connection with El Paso s annual and quarterly filings under the Exchange Act. As a result, from time to time, Kinder Morgan and El Paso may be unable to include or incorporate by reference in their respective filings under the Securities Act and the Exchange Act, the audited financial statements of the Joint Venture. Furthermore, Kinder Morgan and El Paso may be unable to obtain the consent of the independent auditor of El Paso (which relies on the audit report of the independent auditor of the Joint Venture in its audit report on the audited financial statements of El Paso) to include or incorporate by reference its audit reports.

The inability to obtain a management representation letter from the JV Operator except in connection with the filing of El Paso s annual report on Form 10-K and quarterly reports on Form 10-Q, and therefore, the inability to obtain the consent of the independent auditors of the Joint Venture and of El Paso to include or incorporate by reference their respective audit reports, may limit the ability of Kinder Morgan to timely make necessary post-effective amendments to its Registration Statement on Form S-4 and the ability of Kinder Morgan and/or El Paso (and their affiliates) to access capital. Notwithstanding the fact the JV Operator has indicated that it will provide a management representation letter to the independent auditor of the Joint Venture in connection with the filing of El Paso s annual report on Form 10-K and quarterly reports on Form 10-Q, there can be no assurance that the JV Operator will, in fact, do so. Failure of the JV Operator to provide a management representation letter in connection with the filing of El Paso s annual report on Form 10-K and quarterly reports on Form 10-Q could inhibit or prevent Kinder Morgan and/or El Paso from accessing the capital markets and/or making filings required under the Securities Act and Exchange Act and could have a material adverse impact on the business and operations of Kinder Morgan and/or El Paso.

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***New El Paso stockholders may not receive all consideration in the form they elect, and the form of consideration that they receive may have a lower value or less favorable tax consequences than the form of consideration that they elect to receive.***

New El Paso stockholders that make either the cash election or the stock election will be subject to proration if holders of New El Paso common stock, in the aggregate, elect to receive more or less than the aggregate amount of cash consideration to be paid in the transactions. Accordingly, some of the consideration El Paso stockholders receive in the transactions may differ from the type of consideration they select and such difference may be significant. This may result in, among other things, tax consequences that differ from those that would have resulted if New El Paso stockholders had received solely the form of consideration that they elected. The relative proportion of stock and cash that a New El Paso stockholder receives may also have a value that is higher or lower than the relative proportion of stock and cash that the New El Paso stockholder elected to receive. A discussion of the proration mechanism can be found under the heading The Transactions New El Paso Stockholders Making Elections Proration and Adjustment Procedures and a discussion of the material federal income tax consequences of the transactions can be found under the heading The Transactions Material U.S. Federal Income Tax Consequences of the Transactions.

***The fairness opinions rendered to the boards of directors of Kinder Morgan and El Paso by their respective financial advisors were based on the respective financial analyses they performed, which considered factors such as market and other conditions then in effect, and financial forecasts and other information made available to them, as of the date of their respective opinions. As a result, these opinions do not reflect changes in events or circumstances after the date of these opinions. Kinder Morgan and El Paso have not obtained, and do not expect to obtain, updated fairness opinions from their respective financial advisors reflecting changes in circumstances that may have occurred since the signing of the merger agreement.***

The fairness opinions rendered to the board of directors of Kinder Morgan by Evercore and Barclays Capital and the fairness opinion rendered to the board of directors of El Paso by Morgan Stanley were provided in connection with, and at the time of, the boards of directors respective evaluation of the transactions. These opinions were based on the respective financial analyses performed, which considered market and other conditions then in effect, and financial forecasts and other information made available to them, as of the date of their respective opinions, which may have changed, or may change, after the date of the opinions. Kinder Morgan and El Paso have not obtained updated opinions as of the date of this information statement/proxy statement/prospectus from their respective financial advisors. They do not expect to obtain updated opinions prior to completion of the transactions. Changes in the operations and prospects of Kinder Morgan or El Paso, general market and economic conditions and other factors which may be beyond the control of Kinder Morgan and El Paso, and on which the fairness opinions were based, may have altered the value of Kinder Morgan or El Paso or the prices of shares of Kinder Morgan Class P common stock or shares of El Paso common stock since the dates of such opinions, or may alter such values and prices by the time the transactions are completed. The opinions do not speak as of any date other than the dates of those opinions. For a description of the opinions that Kinder Morgan and El Paso received from their respective financial advisors, please refer to The Transactions Opinions of Kinder Morgan s Financial Advisors and Opinion of El Paso s Financial Advisor.

***The merger agreement contains provisions that limit each party s ability to pursue alternatives to the transactions, could discourage a potential competing acquirer of either El Paso or Kinder Morgan from making a favorable alternative transaction proposal and, in specified circumstances, could require El Paso to pay a termination fee of $650 million to Kinder Morgan.***

Under the merger agreement, El Paso and Kinder Morgan are restricted from entering into alternative transactions. Unless and until the merger agreement is terminated, subject to specified exceptions (which are discussed in more detail in The Merger Agreement Termination ), both Kinder Morgan and El Paso are

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restricted from soliciting, initiating, knowingly facilitating, knowingly encouraging or knowingly inducing or negotiating, any inquiry, proposal or offer for a competing acquisition proposal with any person. The merger agreement does not permit Kinder Morgan to terminate the merger agreement and pursue an alternative transaction, even if the Kinder Morgan board believed it would be more favorable to the Kinder Morgan stockholders. Additionally, under the merger agreement, in the event of a potential change by the board of directors of El Paso of its recommendation with respect to the transactions in light of a superior proposal, El Paso must provide Kinder Morgan with five days notice to allow Kinder Morgan to propose an adjustment to the terms and conditions of the merger agreement. El Paso may terminate the merger agreement and enter into an agreement with respect to a superior proposal only if specified conditions have been satisfied, including compliance with the no solicitation and termination provisions of the merger agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of El Paso or Kinder Morgan from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the transactions, or might result in a potential competing acquirer of El Paso proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in specified circumstances.

Under the merger agreement, El Paso may be required to pay to Kinder Morgan a termination fee of $650 million if the merger agreement is terminated under specified circumstances. If such a termination fee is payable, the payment of this fee could have material and adverse consequences to the financial condition and operations of El Paso. For a discussion of the restrictions on El Paso and Kinder Morgan soliciting or entering into a takeover proposal or alternative transaction and El Paso s board of directors ability to change its recommendation, see The Merger Agreement No-Solicitation by El Paso of Takeover Proposals, No-Solicitation by Kinder Morgan of an Alternative Transaction and El Paso Board Recommendation.

***Directors and executive officers of El Paso have certain interests that are different from those of El Paso stockholders generally.***

The executive officers of El Paso who negotiated the terms of the merger agreement and the members of the El Paso board of directors who approved the merger agreement have certain interests in the transactions that may be different from, or in addition to, the interests of El Paso stockholders generally. These interests include the following:

- Under the merger agreement, each outstanding equity award (including equity awards held by El Paso s executive officers and directors) will (to the extent unvested) automatically vest upon the second merger and be converted into the right to receive, at the election of the holder, either cash (and warrants) or a mixture of cash and shares of Kinder Morgan Class P common stock (and warrants) for all shares subject to such awards (in the case of stock options, less the aggregate exercise price);

- El Paso s executive officers participate in El Paso s executive severance plans, which provide severance and other termination benefits in the case of a qualifying termination of employment upon or within the two-year period immediately following a change of control, which would include the second merger; and

- Under the merger agreement, El Paso must, in consultation with Kinder Morgan, adopt a retention plan for certain full-time employees of El Paso, including executive officers Brent Smolik and Dane Whitehead, pursuant to which retention bonuses may be earned by such executive officers based on (1) the performance of services, (2) attainment of specified levels of gross sale proceeds in respect of EP Energy business assets sold within 12 months after closing of the second merger and (3) the date the EP Energy business assets are sold.

The merger agreement provides that Kinder Morgan will take such actions (including increasing the size of the Kinder Morgan board of directors) as are necessary to elect two individuals designated by El Paso to the

Kinder Morgan board of directors effective as of, and subject to the occurrence of, the effective time of the second merger. As of the date of this information statement/proxy statement/prospectus, El Paso has not yet determined which individuals will be its designees on the Kinder Morgan board of directors.

The merger agreement also provides for indemnification in favor of the current and former directors and officers of El Paso and its subsidiaries and for the purchase of directors and officers liability insurance and fiduciary liability insurance tail or run-off policies with respect to matters existing or occurring at or prior to the effective time of the transactions.

For a discussion of the interests of directors and executive officers in the transactions, see The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors.

***Goldman Sachs served as one of El Paso s financial advisors and is the second largest beneficial owner of stock in Kinder Morgan and may have interests that are different from those of El Paso stockholders generally.***

Goldman Sachs may have interests in the transactions that are different from, or in addition to, the interests of El Paso stockholders generally. These interests may present Goldman Sachs with actual or potential conflicts of interest. Prior to the receipt of Kinder Morgan s acquisition proposal, El Paso engaged Goldman Sachs to advise it with respect to the proposed spin-off of its exploration and production business and paid Goldman Sachs $5 million in connection with that engagement. Following receipt of Kinder Morgan s proposal, El Paso engaged Goldman Sachs to continue to act as a financial advisor to El Paso, including reviewing and analyzing El Paso s business plan in connection with the proposed spin-off for purposes of aiding El Paso in its analysis of the potential Kinder Morgan transaction. In the engagement letter for these latter services, El Paso agreed to pay Goldman Sachs a fee of $20 million upon completion of a transaction with Kinder Morgan. In both engagement letters, El Paso agreed to reimburse Goldman Sachs for certain of its fees and expenses and indemnify it against certain liabilities if they were to arise. In addition to its role as a financial advisor to El Paso, Goldman Sachs is also a stockholder of Kinder Morgan and, prior to consummation of the proposed transactions, may be deemed to beneficially own approximately 19 percent of the shares of Kinder Morgan Class P common stock on a fully converted basis, making it the second largest beneficial holder. Two representatives of Goldman Sachs and its affiliates also serve on the board of directors of Kinder Morgan. For more information relating to Goldman Sachs role as a financial advisor to El Paso, Goldman Sachs investment in Kinder Morgan and El Paso s and Goldman Sachs actions to address any potential conflicts, see The Transactions Background of the Transactions, El Paso s Engagement of Goldman Sachs and Interests of Certain Persons in the Transactions Goldman Sachs.

***Kinder Morgan and El Paso may have difficulty attracting, motivating and retaining executives and other employees in light of the transactions.***

Uncertainty about the effect of the transactions on Kinder Morgan and El Paso employees may have an adverse effect on Kinder Morgan and El Paso and consequently the combined company. This uncertainty may impair Kinder Morgan s and El Paso s ability to attract, retain and motivate personnel until the transactions are completed. Employee retention may be particularly challenging during the pendency of the transactions, as employees may feel uncertain about their future roles with the combined company. In addition, Kinder Morgan and El Paso may have to provide additional compensation in order to retain employees. If employees of Kinder Morgan or El Paso depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become employees of the combined company, the combined company s ability to realize the anticipated benefits of the transactions could be reduced.

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***Kinder Morgan and El Paso will incur substantial transaction-related costs in connection with the transactions.***

Kinder Morgan and El Paso expect to incur a number of non-recurring transaction-related costs associated with completing the transactions, combining the operations of the two companies and achieving desired synergies. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of the businesses of Kinder Morgan and El Paso. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term or at all.

***Failure to successfully combine the businesses of El Paso and Kinder Morgan in the expected time frame may adversely affect the future results of the combined company, and, consequently, the value of any Kinder Morgan Class P common stock and/or Kinder Morgan warrants that El Paso stockholders receive as part of the merger consideration.***

The success of the proposed transactions will depend, in part, on the ability of Kinder Morgan to realize the anticipated benefits and synergies from combining the businesses of Kinder Morgan and El Paso. To realize these anticipated benefits, the businesses must be successfully combined. If the combined company is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the transactions may not be realized fully or at all. In addition, the actual integration may result in additional and unforeseen expenses, which could reduce the anticipated benefits of the transactions. These integration difficulties could result in declines in the market value of Kinder Morgan Class P common stock and, consequently, result in declines in the market value of the Kinder Morgan Class P common stock and warrants that El Paso stockholders receive as part of the merger consideration and continue to hold following consummation of the proposed transactions.

***Failure to complete the transactions, or significant delays in completing the transactions, could negatively affect the trading prices of Kinder Morgan Class P common stock and El Paso common stock and the future business and financial results of Kinder Morgan and El Paso.***

Completion of the transactions is not assured and is subject to risks, including the risks that approval of the transactions by the respective stockholders of Kinder Morgan and El Paso or by governmental agencies is not obtained or that other closing conditions are not satisfied. If the transactions are not completed, or if there are significant delays in completing the transactions, it could negatively affect the trading prices of Kinder Morgan Class P common stock and El Paso common stock and the respective future business and financial results of Kinder Morgan and El Paso, and each of them will be subject to several risks, including the following:

- the parties may be liable for damages to one another under the terms and conditions of the merger agreement;

- negative reactions from the financial markets, including declines in the price of Kinder Morgan Class P common stock or El Paso common stock due to the fact that current prices may reflect a market assumption that the transactions will be completed;

- having to pay certain significant costs relating to the transactions, including, in the case of El Paso in certain circumstances, a termination fee of $650 million as described in The Merger Agreement Termination Fee ; and

- the attention of management of Kinder Morgan and El Paso will have been diverted to the transactions rather than each company s own operations and pursuit of other opportunities that could have been beneficial to that company.

***Purported stockholder class action complaints have been filed against El Paso, Kinder Morgan, the members of El Paso s board of directors, El Paso s and Kinder Morgan s merger subsidiaries and Goldman Sachs, challenging the transactions, and an unfavorable judgment or ruling in these lawsuits could prevent or delay the consummation of the proposed transactions and result in substantial costs.***

In connection with the proposed transactions, purported stockholders of El Paso have filed numerous purported stockholder class action lawsuits in the District Court of Harris County, Texas and in the Delaware Court of Chancery. Those lawsuits name as defendants El Paso, Kinder Morgan, the members of the board of directors of El Paso, and, in certain cases, the affiliates of El Paso and Kinder Morgan and Goldman, Sachs & Co., whose role is further described in the section entitled The Transactions El Paso s Engagement of Goldman Sachs. Among other remedies, the plaintiffs seek to enjoin the proposed transactions. If a final settlement is not reached, or if a dismissal is not obtained, these lawsuits could prevent and/or delay completion of the transactions and result in substantial costs to El Paso and Kinder Morgan, including any costs associated with the indemnification of directors. Additional lawsuits may be filed against El Paso and Kinder Morgan, their respective affiliates and El Paso s directors related to the proposed transactions. The defense or settlement of any lawsuit or claim may adversely affect the combined company s business, financial condition or results of operations. See The Transactions Litigation Related to the Transactions.

***Closing of the first merger and/or second merger may trigger change in control provisions in certain agreements to which El Paso is a party.***

Closing of the first merger and/or second merger may trigger change in control provisions in certain agreements to which El Paso is a party. If El Paso and Kinder Morgan are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if El Paso and Kinder Morgan are able to negotiate waivers, the counterparties may require a fee for such waiver or seek to renegotiate the agreements on terms less favorable to El Paso or the combined company.

***During the pendency of the proposed transactions, a decrease in Kinder Morgan s perceived creditworthiness may have an adverse effect on El Paso s perceived creditworthiness, possibly resulting in a downgrade of credit ratings.***

During the pendency of the proposed transactions, changes in Kinder Morgan s perceived creditworthiness may affect El Paso s perceived creditworthiness. To the extent that there are concerns about Kinder Morgan s ability to satisfy its obligations to its creditors, those concerns may be imputed to El Paso, causing similar concerns about El Paso s ability to satisfy its obligations to its creditors. If El Paso s perceived creditworthiness suffers, it could result in, among other things, lowered credit ratings, reduced access to capital and increased borrowing costs.

***El Paso is subject to business uncertainties and contractual restrictions while the proposed transactions are pending, which could adversely affect El Paso s business and operations.***

Under the terms of the merger agreement, El Paso is subject to certain restrictions on the conduct of its business prior to completing the proposed transactions, which may adversely affect its ability to execute certain of its business strategies, including the ability in certain cases to enter into contracts or incur capital expenditures to grow its business. Such limitations could negatively affect El Paso s businesses and operations prior to the completion of the proposed transactions. Furthermore, the process of planning to integrate two businesses and organizations for the post-merger period can divert management attention and company resources and could ultimately have an adverse effect on each of Kinder Morgan and El Paso.

In connection with the pending transactions, it is possible that some customers, suppliers and other persons with whom El Paso has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with El Paso as a result of the proposed transactions, which could negatively affect El Paso s revenues, earnings and cash flows, as well as the market price of shares of its common stock, regardless of whether the transactions are completed.

***Because the exchange ratios are fixed and because the market price of Kinder Morgan Class P common stock and El Paso common stock/New El Paso common stock will fluctuate, New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration cannot be sure of the market value of such merger consideration relative to the value of their shares of New El Paso common stock that they are exchanging.***

If the transactions are completed, each share of New El Paso common stock will be converted into the right to receive 0.640 of a warrant to purchase shares of Kinder Morgan Class P common stock and may, depending on the election of the New El Paso stockholder and subject to proration, be converted into the right to receive a fixed number of shares (as opposed to a fixed market value) of Kinder Morgan Class P common stock. During the pendency of the transactions, the market value of Kinder Morgan Class P common stock will fluctuate, and decreases in the market value of Kinder Morgan Class P common stock will negatively affect the value of the merger consideration that New El Paso stockholders receive. The market value of New El Paso common stock will also fluctuate during the pendency of the transactions, and increases in the market value of New El Paso common stock may mean that the merger consideration issued to New El Paso common stockholders will be worth less than the market value of the shares of New El Paso common stock such stockholders are exchanging. The exchange ratios were fixed at the time the merger agreement was executed, and the value of Kinder Morgan and New El Paso stock may vary significantly from their values on the date of the merger agreement, the date of this information statement/proxy statement/prospectus, the date on which El Paso stockholders vote on the merger agreement, the date on which New El Paso stockholders make their election and the date on which New El Paso stockholders receive the merger consolidation. Neither El Paso nor Kinder Morgan is permitted to terminate the merger agreement solely due to changes in the market price of either party s common stock.

There will be a time lapse between the date on which New El Paso stockholders make an election with respect to the form of merger consideration to be received by them in exchange for their New El Paso common stock and the date on which New El Paso stockholders actually receive warrants of Kinder Morgan and, depending on their election and subject to proration, shares of Kinder Morgan Class P common stock. Fluctuations in the market value of Kinder Morgan stock during this time period will also affect the value of the merger consideration, once it is actually received.

If a New El Paso stockholder makes a stock election or mixed election and the market value of Kinder Morgan Class P common stock falls between the time of the election and the time the merger consideration is actually received, the value of the merger consideration received may be less than the value of the merger consideration such stockholder would have received under a cash election. Conversely, if a New El Paso stockholder makes a cash election and the market value of Kinder Morgan Class P common stock rises between the time of the election and the time the merger consideration is actually received, the value of the merger consideration received may be less than the value of the merger consideration such stockholder would have received under a stock or mixed election. New El Paso stockholders are urged to obtain current market quotations for Kinder Morgan Class P common stock when they make their elections.

***If the transactions are approved, the date that New El Paso stockholders will receive the merger consideration is uncertain.***

If the proposed transactions are approved, the date that New El Paso stockholders will receive the merger consideration depends on the completion date of the transactions, which is uncertain.

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***When making their elections, New El Paso stockholders must deliver stock certificates (or evidence of shares in book-entry form) to the exchange agent, and, unless they revoke their election, will not be able to transfer those shares following delivery.***

When New El Paso stockholders make their election and return the properly completed form of election by the applicable deadline, they must also deliver to the exchange agent stock certificates (or evidence of shares in book-entry form) representing their shares of New El Paso common stock. Unless they revoke this election, such stockholders may not transfer those shares following their election, and such stockholders may therefore be unable to gain access to cash or make other investments, or otherwise attempt to reduce the potential for a decrease in the value of their investment, as they otherwise would like.

***The value of the warrants that New El Paso stockholders will receive as part of the merger consideration is uncertain, and the warrants may have limited or no value.***

The value of the warrants to be issued as part of the merger consideration is speculative. In the event that the value of Kinder Morgan Class P common stock does not exceed the exercise price of the warrants during the five-year period when the warrants are exercisable, the warrants may have limited or no value. Because the market for the warrants may be limited, volatile or sporadic, warrant holders may have to bear the economic consequences of holding such warrants for the entire term of the warrants.

***If the merger agreement is terminated, El Paso may be obligated to reimburse Kinder Morgan for costs incurred related to the transactions and, under certain circumstances, pay a termination fee to Kinder Morgan.***

In certain circumstances, upon termination of the merger agreement, El Paso would be responsible for reimbursing Kinder Morgan for up to $20 million in expenses related to the transaction, plus certain financing-related expenses of Kinder Morgan, and may be obligated to pay a termination fee to Kinder Morgan of $650 million. If the merger agreement is terminated, the expense reimbursements and the termination fee required to be paid, if any, by El Paso under the merger agreement may require El Paso to incur significant amounts that would reduce the cash and liquidity it has available for operations, dividends or other general corporate purposes. See The Merger Agreement Expenses.

***The unaudited pro forma financial information in this information statement/proxy statement/prospectus is presented for illustrative purposes only and may not be reflective of the operating results and financial condition of the combined company following completion of the proposed transactions.***

The unaudited pro forma financial information in this information statement/proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what the combined company s actual financial position or results of operations would have been had the transactions been completed on the dates indicated. The unaudited pro forma financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to El Paso s net assets. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of El Paso as of the date of the completion of the transactions. In addition, subsequent to the closing date, there may be further refinements of the purchase price allocation as additional information becomes available. Accordingly, the final purchase accounting adjustments may differ materially from the pro forma adjustments reflected in this document. See Unaudited Pro Forma Condensed Combined Financial Information for more information.

***Kinder Morgan s and El Paso s financial estimates are based on various assumptions that may not prove to be correct.***

The financial estimates set forth in the forecast included under The Transactions Certain Kinder Morgan Financial Projections and Certain El Paso Financial Projections are based on assumptions of, and information available to, Kinder Morgan and El Paso, respectively, at the time they were prepared and provided

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to Kinder Morgan s and El Paso s respective boards of directors and financial advisors. Kinder Morgan and El Paso do not know whether the assumptions they made will prove correct. Any or all of such estimates may turn out to be wrong. They can be adversely affected by inaccurate assumptions or by known or unknown risks and uncertainties, many of which are beyond Kinder Morgan s and/or El Paso s control. Many factors mentioned in this information statement/proxy statement/prospectus, including the risks outlined in this Risk Factors section and the events and/or circumstances described under Cautionary Statement Regarding Forward-Looking Statements will be important in determining Kinder Morgan s and/or El Paso s future results. As a result of these contingencies, actual future results may vary materially from Kinder Morgan s and/or El Paso s estimates. In view of these uncertainties, the inclusion of Kinder Morgan s and El Paso s financial estimates in this information statement/proxy statement/prospectus is not and should not be viewed as a representation that the forecasted results will be achieved.

These financial estimates are Kinder Morgan s and El Paso s internal financial forecasts and were not prepared with a view toward public disclosure or toward compliance with published guidelines of any regulatory or professional body. Further, any forward-looking statement speaks only as of the date on which it is made, and each of Kinder Morgan and El Paso undertakes no obligation, other than as required by applicable law, to update its financial estimates herein to reflect events or circumstances after the date those financial estimates were prepared or to reflect the occurrence of anticipated or unanticipated events or circumstances.

The financial estimates included in this information statement/proxy statement/prospectus have been prepared by, and are the responsibility of, Kinder Morgan and El Paso, as applicable. Moreover, neither Kinder Morgan s independent accountants, PricewaterhouseCoopers LLP, El Paso s independent accountants, Ernst & Young LLP, nor any other independent accountants have compiled, examined or performed any procedures with respect to Kinder Morgan s or El Paso s prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and, accordingly, each of PricewaterhouseCoopers LLP and Ernst & Young LLP assumes no responsibility for, and disclaims any association with, Kinder Morgan s and El Paso s prospective financial information. The reports of PricewaterhouseCoopers LLP and of Ernst & Young LLP incorporated by reference into this information statement/proxy statement/prospectus relate exclusively to the historical financial information of the entities named in those reports and do not cover any other information in this information statement/proxy statement/prospectus and should not be read to do so. See The Transactions Certain El Paso Financial Projections and Certain Kinder Morgan Financial Projections for more information.

**Risk Factors Relating to Kinder Morgan After Completion of the Transactions**

*In this section, Kinder Morgan refers to Kinder Morgan, Inc. after the transactions, at which time El Paso, which owns the general partner of EPB, will be a wholly owned subsidiary. Except as indicated below, this section also assumes the completion of the disposition of El Paso s oil and gas properties and business before or promptly after the transactions. All of Kinder Morgan s operations are, and after completion of the transactions will continue to be, conducted by its subsidiaries, including KMP and El Paso and their subsidiaries and joint ventures, and its equity investees. To the extent that a risk described below relates generally to the business of the combined entity, the risk factor refers to the risk to Kinder Morgan. Where the risk described is particular to KMP s business or to El Paso s business, the risk factor refers specifically to that entity. In this section, KMP and EPB are sometimes referred to as the Partnerships.*

***El Paso has entered into a Purchase and Sale Agreement to sell EP Energy. There can be no assurance that El Paso and Kinder Morgan will be able to complete the sale EP Energy in the anticipated time frame, or at all. In the event the transactions contemplated by the Purchase and Sale Agreement are terminated, under certain circumstances Kinder Morgan may be required to pay to the purchaser of EP Energy a termination fee of $400 million.***

On February 24, 2012, certain subsidiaries of El Paso entered into a Purchase and Sale Agreement with affiliates of Apollo Global Management L.L.C., Riverstone Holdings, LLC, Access Industries, Inc. and certain other parties to sell EP Energy around the same time as the consummation of the transactions in order to help reduce the level of indebtedness incurred to finance the transactions. The sale of EP Energy is subject to customary closing conditions, including clearance under the antitrust laws of the United States and the closing of the second merger. There can be no assurance that El Paso and Kinder Morgan will be able to sell EP Energy in the anticipated time frame, or at all. In the event El Paso and Kinder Morgan are unable to sell EP Energy as expected, the combined company will have an increased amount of indebtedness which may adversely affect its profitability. The Purchase and Sale Agreement also provides under certain circumstances for the payment of a termination fee by Kinder Morgan of $400 million. Pursuant to the merger agreement, Kinder Morgan is required to indemnify El Paso and its subsidiaries from any and all costs incurred by El Paso or its subsidiaries arising from or relating to the EP Energy Sale.

***Following consummation of the transactions, the credit rating of El Paso and/or Kinder Morgan could be downgraded, which may increase its borrowing costs and could give rise to an obligation to redeem existing indebtedness.***

Kinder Morgan will have considerably higher aggregate levels of indebtedness than Kinder Morgan and El Paso currently have in the aggregate due to the debt incurred to finance the transactions. There can be no assurance that the credit ratings of the existing Kinder Morgan debt or El Paso debt will not be subject to a downgrade.

If, as a result of the transactions, certain notes issued by El Paso and certain of its subsidiaries are subject to a ratings downgrade (which, in some instances, results in having a credit rating below investment grade) by a credit ratings agency during the period continuing until up to 120 days after consummation of the transactions, each holder of such notes would have the right to require El Paso or its applicable subsidiary to repurchase all or part of such holder s notes (possibly at a premium) as provided in the applicable debt documents. If such an event occurs, Kinder Morgan would likely be required to refinance such indebtedness.

Any such obligation to offer to repurchase such El Paso indebtedness could necessitate obtaining significant amounts of refinancing capital. No assurance can be given as to the terms or availability of refinancing capital. Any such obligation could have an adverse effect on Kinder Morgan s financial condition after the consummation of the transactions. Moreover, if a ratings downgrade were to occur, even if such event does not give rise to a redemption obligation, the combined El Paso and Kinder Morgan company could experience higher borrowing costs in the future and more restrictive covenants which may reduce profitability and diminish operational flexibility.

***Kinder Morgan depends on distributions from its subsidiaries and joint ventures to meet its needs.***

Kinder Morgan is a holding company, a company with no significant assets other than its ownership interests in its operating subsidiaries, and has debt outstanding at the holding company level. It is dependent on the earnings and cash flows, dividends and other distributions from its subsidiaries, including KMP, and following the consummation of the proposed transactions, El Paso and its subsidiaries, including EPB, and joint ventures to generate the funds necessary to meet its obligations and pay dividends. Applicable law and contractual restrictions (including restrictions in its subsidiaries credit facilities and in its joint venture or partnership agreements) may negatively impact Kinder Morgan s ability to obtain such distributions from its subsidiaries, including the rights of the creditors of its subsidiaries that would often be superior to Kinder Morgan s interests. Furthermore, a decline in KMP s or El Paso s revenues or increases in their general and administrative expenses, principal and interest payments under existing and future debt instruments, expenditures for taxes, working capital requirements or other cash needs will limit the amount of cash they can distribute to Kinder Morgan, which would reduce the amount of cash available for payment of its debt and for distribution to its stockholders, which could be material.

***Kinder Morgan may not be able to sell (drop-down) El Paso s natural gas pipeline assets to EPB and KMP in a timely manner or on satisfactory terms and conditions.***

Kinder Morgan expects to sell (drop-down) El Paso s natural gas pipeline assets to EPB and KMP. The drop-down of El Paso s natural gas pipeline assets is dependent upon a number of factors, including reaching

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agreement with respect to the purchase price of such assets and negotiating definitive documentation upon satisfactory terms and conditions. Each of these transactions will be subject to approval by KMP s or EPB s independent directors. There can be no assurance that Kinder Morgan will be able to drop-down El Paso s natural gas pipeline assets in a timely manner or at all. In the event Kinder Morgan is unable to drop-down El Paso s natural gas pipeline assets as expected, the combined company will have an increased amount of indebtedness which may adversely affect its profitability.

***Kinder Morgan is dependent upon KMP s and EPB s ability to access the capital markets and/or other sources of financing.***

Kinder Morgan s ability to sell (drop-down) assets to, and to receive distributions relating to expansion projects or acquisitions at, KMP and/or EPB is dependent, in part, on KMP s and EPB s ability to access the capital markets and/or other sources of financing. In the event KMP s or EPB s credit rating is downgraded, it may make it more difficult, expensive or impossible for KMP or EPB, as applicable, to access the capital markets and/or other sources of financing. Accordingly, projects may not occur or may be less profitable. Any such event could materially adversely affect the future earnings, cash flows and financial condition of Kinder Morgan.

***If the proposed transactions are completed, conflicts of interest may arise between KMI, on the one hand, and EPB and/or KMP, on the other hand.***

Conflicts of interest may arise following completion of the proposed transactions because of the relationships among EPB, KMP and Kinder Morgan, as the indirect owner of their general partners. Kinder Morgan s directors and officers will have fiduciary duties to manage its business in a manner beneficial to Kinder Morgan and Kinder Morgan s stockholders. Some of Kinder Morgan s directors will also be directors and officers of EPB s general partner or KMP s general partner, and will have duties as provided in their respective partnership agreements to manage the respective businesses of EPB and KMP in a manner beneficial to EPB and KMP and their respective unitholders. The resolution of these conflicts may not always be in Kinder Morgan s best interest or that of Kinder Morgan s stockholders.

***New regulations, rulemaking and oversight, as well as changes in regulations, by regulatory agencies having jurisdiction over Kinder Morgan s operations could adversely impact its income and operations.***

Kinder Morgan s pipelines and storage facilities are subject to regulation and oversight by federal, state and local regulatory authorities, such as the FERC, the California Public Utilities Commission, referred to as the CPUC, and Canada s National Energy Board. Regulatory actions taken by these agencies have the potential to adversely affect Kinder Morgan s profitability. Regulation affects almost every part of its business and extends to such matters as:

- rates (which include reservation, commodity, surcharges, fuel and gas lost and unaccounted for), operating terms and conditions of service;
- the types of services Kinder Morgan may offer to its customers;
- the contracts for service entered into with its customers;
- the certification and construction of new facilities;
- the integrity, safety and security of facilities and operations;
- the acquisition of other businesses;
- the acquisition, extension, disposition or abandonment of services or facilities;

reporting and information posting requirements;

the maintenance of accounts and records; and

relationships with affiliated companies involved in various aspects of the natural gas and energy businesses.

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Should Kinder Morgan fail to comply with any applicable statutes, rules, regulations, and orders of such regulatory authorities, it could be subject to substantial penalties and fines.

New regulations sometimes arise from unexpected sources. For example, the Department of Homeland Security Appropriation Act of 2007 required the Department of Homeland Security to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that are deemed to present high levels of security risk.

New laws or regulations or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to Kinder Morgan or its assets could have a material adverse impact on its business, financial condition and results of operations.

***The FERC may establish pipeline tariff rates that have a negative impact on Kinder Morgan. In addition, the FERC or Kinder Morgan s customers could file complaints challenging the tariff rates charged by Kinder Morgan s pipelines, and a successful complaint could have an adverse impact on Kinder Morgan.***

The profitability of Kinder Morgan s regulated pipelines is influenced by fluctuations in costs and its ability to recover any increases in its costs in the rates charged to its shippers. To the extent that such costs increase in an amount greater than what Kinder Morgan is permitted by the FERC to recover in its rates, or to the extent that there is a lag before the pipeline can file and obtain rate increases, such events can have a negative impact upon Kinder Morgan s operating results.

Kinder Morgan s existing rates may also be challenged by complaint. Regulators and shippers on Kinder Morgan s pipelines have rights to challenge, and have challenged, the rates they charge under certain circumstances prescribed by applicable regulations. Some shippers on various KMP pipelines have filed complaints with the FERC and the CPUC that seek substantial refunds for alleged overcharges during the years in question and prospective reductions in the tariff rates on KMP s Pacific operations pipeline system. Further, the FERC has initiated investigations to determine whether some interstate natural gas pipelines have over-collected on rates charged to shippers. Kinder Morgan could face additional challenges to the rates it charges on its pipelines. Any successful challenge could materially adversely affect its future earnings, cash flows and financial condition.

***Energy commodity transportation and storage activities involve numerous risks that may result in accidents or otherwise adversely affect Kinder Morgan s operations.***

There are a variety of hazards and operating risks inherent to natural gas transmission and storage activities and refined petroleum products and carbon dioxide transportation activities such as leaks, explosions and mechanical problems that could result in substantial financial losses. In addition, these risks could result in serious injury and loss of human life, significant damage to property and natural resources, environmental pollution and impairment of operations, any of which also could result in substantial financial losses. For pipeline and storage assets located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks could be greater. Incidents that cause an interruption of service, such as when unrelated third party construction damages a pipeline or a newly completed expansion experiences a weld failure, may negatively impact Kinder Morgan s revenues and earnings while the affected asset is temporarily out of service. In addition, if losses in excess of Kinder Morgan s insurance coverage were to occur, they could have a material adverse effect on its business, financial condition and results of operations.

***Increased regulatory requirements relating to the integrity of Kinder Morgan s pipelines will require it to spend additional money to comply with these requirements.***

Through Kinder Morgan s regulated pipeline subsidiaries, it is subject to extensive laws and regulations related to pipeline integrity. There are, for example, federal guidelines for the U.S. Department of Transportation and pipeline companies in the areas of testing, education, training and communication. The U.S. Department of Transportation issued final rules (effective February 2004 with respect to natural gas pipelines) requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines and take measures to protect pipeline segments located in what the rules refer to as High Consequence Areas. The ultimate costs of compliance with the integrity management rules are difficult to predict. The majority of the costs to comply with the rules are associated with pipeline integrity testing and the repairs found to be necessary. Changes such as advances of in-line inspection tools, identification of additional threats to a pipeline s integrity and changes to the amount of pipeline determined to be located in High Consequence Areas can have a significant impact on the costs to perform integrity testing and repairs. Kinder Morgan plans to continue its pipeline integrity testing programs to assess and maintain the integrity of its existing and future pipelines as required by the U.S. Department of Transportation rules. The results of these tests could cause Kinder Morgan to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of its pipelines.

Further, additional laws and regulations that may be enacted in the future or a new interpretation of existing laws and regulations could significantly increase the amount of these expenditures. There can be no assurance as to the amount or timing of future expenditures for pipeline integrity regulation, and actual future expenditures may be different from the amounts Kinder Morgan currently anticipates. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not deemed by regulators to be fully recoverable from its customers, could have a material adverse effect on its business, financial position, results of operations and prospects.

***Kinder Morgan may face competition from competing pipelines and other forms of transportation into the areas it serves as well as with respect to the supply for its pipeline systems.***

Any current or future pipeline system or other form of transportation that delivers petroleum products or natural gas into the areas that Kinder Morgan s pipelines serve could offer transportation services that are more desirable to shippers than those it provides because of price, location, facilities or other factors. To the extent that an excess of supply into these areas is created and persists, Kinder Morgan s ability to recontract for expiring transportation capacity at favorable rates or otherwise to retain existing customers could be impaired. Kinder Morgan also could experience competition for the supply of petroleum products or natural gas from both existing and proposed pipeline systems. Several pipelines access many of the same areas of supply as its pipeline systems and transport to destinations not served by Kinder Morgan.

***Cost overruns and delays on expansion and new build projects could adversely affect Kinder Morgan s business.***

KMP has recently completed several major expansion and new build projects, including the joint venture projects Rockies Express Pipeline, Midcontinent Express Pipeline and Fayetteville Express Pipeline, and in July 2011, El Paso placed its new joint venture project, Ruby Pipeline, into service. KMP also is conducting and conducts from time to time alone or with others what are referred to as open seasons to evaluate the potential customer interest for new construction projects. A variety of factors outside Kinder Morgan s control, such as weather, natural disasters and difficulties in obtaining permits and rights-of-way or other regulatory approvals, as well as performance by third-party contractors, have resulted in, and may continue to result in, increased costs or delays in construction. Significant cost overruns or delays in completing a project could have a material adverse effect on Kinder Morgan s return on investment, results of operations and cash flows.

***Kinder Morgan must either obtain the right from landowners or exercise the power of eminent domain in order to use most of the land on which its pipelines are constructed, and it is subject to the possibility of increased costs to retain necessary land use.***

Kinder Morgan obtains the right to construct and operate pipelines on other owners land for a period of time. If it were to lose these rights or be required to relocate its pipelines, its business could be affected negatively. In addition, Kinder Morgan is subject to the possibility of increased costs under its rental agreements with landowners, primarily through rental increases and renewals of expired agreements.

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Whether Kinder Morgan has the power of eminent domain for its pipelines, other than interstate natural gas pipelines, varies from state to state depending upon the type of pipeline petroleum liquids, natural gas or carbon dioxide and the laws of the particular state. Its interstate natural gas pipelines have federal eminent domain authority. In either case, Kinder Morgan must compensate landowners for the use of their property and, in eminent domain actions, such compensation may be determined by a court. Kinder Morgan s inability to exercise the power of eminent domain could negatively affect its business if it was to lose the right to use or occupy the property on which its pipelines are located.

***The Partnerships acquisition strategies and expansion programs require access to new capital. Tightened capital markets or more expensive capital would impair their ability to grow.***

Consistent with the terms of their partnership agreements, KMP and EPB have distributed most of the cash generated by their operations. As a result, they have relied on external financing sources, including commercial borrowings and issuances of debt and equity securities, to fund their acquisition and for KMP, its growth capital expenditures. However, to the extent the Partnerships are unable to continue to finance growth through external sources, their cash distribution policies may significantly impair their ability to grow. The Partnerships may need new capital to finance these activities. Limitations on the Partnerships access to capital will impair their ability to execute this strategy.

***KMP s growth strategy may cause difficulties integrating and constructing new operations, and Kinder Morgan may not be able to achieve the expected benefits from any future acquisitions.***

Part of KMP s business strategy includes acquiring additional businesses, expanding existing assets and constructing new facilities. If KMP does not successfully integrate acquisitions, expansions or newly constructed facilities, they may not realize anticipated operating advantages and cost savings. The integration of companies that have previously operated separately involves a number of risks, including:

- demands on management related to the increase in the size of KMP after an acquisition, expansion or completed construction project;
- the diversion of management s attention from the management of daily operations;
- difficulties in implementing or unanticipated costs of accounting, estimating, reporting and other systems;
- difficulties in the assimilation and retention of necessary employees; and
- potential adverse effects on operating results.

KMP may not be able to maintain the levels of operating efficiency that acquired companies have achieved or might achieve separately. Successful integration of each acquisition, expansion or construction project will depend upon KMP s ability to manage those operations and to eliminate redundant and excess costs. Because of difficulties in combining and expanding operations, KMP may not be able to achieve the cost savings and other size-related benefits that it hoped to achieve after these acquisitions, which would harm its financial condition and results of operations.

***Environmental, health and safety laws and regulations could expose Kinder Morgan to significant costs and liabilities.***

Kinder Morgan s operations are subject to federal, state, provincial and local laws, regulations and potential liabilities arising under or relating to the protection or preservation of the environment, natural resources and human health and safety. Such laws and regulations affect many aspects of its present and future operations, and generally require Kinder Morgan to obtain and comply with various environmental registrations, licenses, permits, inspections and other approvals. Liability under such laws and regulations may be incurred without regard to fault under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as CERCLA or Superfund, the Resource Conservation and Recovery Act, the Federal Clean Water Act or analogous state laws for the remediation of contaminated areas. Private parties, including the owners of properties through which Kinder Morgan s pipelines pass, also may have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with such laws and regulations or for personal injury or property damage. Kinder Morgan s insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against Kinder Morgan.

Failure to comply with these laws and regulations also may expose Kinder Morgan to civil, criminal and administrative fines, penalties and/or interruptions in its operations that could influence its business, financial position, results of operations and prospects. For example, if an accidental leak, release or spill of liquid petroleum products, chemicals or other hazardous substances occurs at or from Kinder Morgan s pipelines or its storage or other facilities, it may experience significant operational disruptions, and it may have to pay a significant amount to clean up or otherwise respond to the leak, release or spill, pay for government penalties, address natural resource damage, compensate for human exposure or property damage, install costly pollution control equipment or undertake a combination of these and other measures. The resulting costs and liabilities could materially and negatively affect Kinder Morgan s level of earnings and cash flows. In addition, emission controls required under the Federal Clean Air Act and other similar federal, state and provincial laws could require significant capital expenditures at its facilities.

Kinder Morgan owns and/or operates numerous properties that have been used for many years in connection with its business activities. While Kinder Morgan has utilized operating, handling and disposal practices that were consistent with the industry at the time, hydrocarbons or other hazardous substances may have been released at or from properties owned, operated or used by it or its predecessors, or at or from properties where it or its predecessors wastes have been taken for disposal. In addition, many of these properties have been owned and/or operated by third parties whose management, handling and disposal of hydrocarbons or other hazardous substances were not under Kinder Morgan s control. These properties and the hazardous substances released and wastes disposed on them may be subject to laws in the United States such as CERCLA, which impose joint and several liability without regard to fault or the legality of the original conduct. Under the regulatory schemes of the various Canadian provinces, such as British Columbia s Environmental Management Act, Canada has similar laws with respect to properties owned, operated or used by Kinder Morgan or its predecessors. Under such laws and implementing regulations, Kinder Morgan could be required to remove or remediate previously disposed wastes or property contamination, including contamination caused by prior owners or operators. Imposition of such liability schemes could have a material adverse impact on its operations and financial position.

In addition, Kinder Morgan s oil and gas development and production activities are subject to numerous federal, state and local laws and regulations relating to environmental quality and pollution control. These laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Specifically, these activities are subject to laws and regulations regarding the acquisition of permits before drilling, restrictions on drilling activities in restricted areas, emissions into the environment, water discharges, transportation of hazardous materials and storage and disposition of wastes. In addition, legislation has been enacted that requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities.

Further, Kinder Morgan cannot ensure that such existing laws and regulations will not be revised or that new laws or regulations will not be adopted or become applicable to it. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts Kinder Morgan currently anticipates. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from Kinder Morgan s customers, could have a material adverse effect on its business, financial position, results of operations and prospects. For more information, see Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus.

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***Climate change regulation at the federal, state, provincial or regional levels could result in increased operating and capital costs for Kinder Morgan.***

Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases. The U.S. Environmental Protection Agency began regulating the greenhouse gas emissions of certain stationary sources on January 2, 2011, and has issued a final rule requiring the reporting of greenhouse gas emissions in the United States beginning in 2011 for emissions occurring in 2010 from specified large greenhouse gas emission sources, fractionated natural gas liquids, and the production of naturally occurring carbon dioxide, like the Partnership s McElmo Dome carbon dioxide field, even when such production is not emitted to the atmosphere.

Because Kinder Morgan s operations, including its compressor stations and natural gas processing plants in its Natural Gas Pipelines and NGPL segments, emit various types of greenhouse gases, primarily methane and carbon dioxide, such new legislation or regulation could increase its costs related to operating and maintaining its facilities and require it to install new emission controls on its facilities, acquire allowances for its greenhouse gas emissions, pay taxes related to its greenhouse gas emissions and administer and manage a greenhouse gas emissions program. Kinder Morgan is not able at this time to estimate such increased costs; however, they could be significant. Recovery of such increased costs from its customers is uncertain in all cases and may depend on events beyond its control, including the outcome of future rate proceedings before the FERC and the provisions of any final legislation or other regulations. Any of the foregoing could have adverse effects on Kinder Morgan s business, financial position, results of operations and prospects. For more information about climate change regulation, see Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this information statement/proxy statement/prospectus.

***Increased regulation of exploration and production activities, including hydraulic fracturing, could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact revenues by decreasing the volumes of natural gas transported on KMP s or El Paso s or their joint ventures natural gas pipelines.***

The natural gas industry is increasingly relying on natural gas supplies from unconventional sources, such as shale, tight sands and coal bed methane. Natural gas extracted from these sources frequently requires hydraulic fracturing. Hydraulic fracturing involves the pressurized injection of water, sand, and chemicals into the geologic formation to stimulate gas production and is a commonly used stimulation process employed by oil and gas exploration and production operators in the completion of certain oil and gas wells. Recently, there have been initiatives at the federal and state levels to regulate or otherwise restrict the use of hydraulic fracturing. Adoption of legislation or regulations placing restrictions on hydraulic fracturing activities could impose operational delays, increased operating costs and additional regulatory burdens on exploration and production operators, which could reduce their production of natural gas and, in turn, adversely affect revenues and results of operations by decreasing the volumes of natural gas transported on KMP s or El Paso s or their joint ventures natural gas pipelines, several of which gather gas from areas in which the use of hydraulic fracturing is prevalent.

***Kinder Morgan s consolidated debt could adversely affect its financial health and make it more vulnerable to adverse economic conditions.***

As of December 31, 2011, on a basis pro forma for the transactions, Kinder Morgan and its subsidiaries would have had outstanding approximately $42.0 billion of debt (including debt incurred in connection with the transactions and debt classified as held for sale in connection with the intended sale of EP Energy and excluding the fair value of interest rate swaps and unamortized purchase accounting adjustments), including $12.8 billion at KMP and $3.9 billion at EPB. This level of debt could have important consequences, such as:

- limiting Kinder Morgan s and the Partnerships abilities to obtain additional financing to fund their working capital, capital expenditures, debt service requirements or potential growth or for other purposes;

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limiting Kinder Morgan s and the Partnerships abilities to use operating cash flow in other areas of their business or to pay dividends because they must dedicate a substantial portion of these funds to make payments on their debt;

placing Kinder Morgan and the Partnerships at a competitive disadvantage compared to competitors with less debt; and

increasing Kinder Morgan s and the Partnerships vulnerability to adverse economic and industry conditions.

Kinder Morgan s and the Partnerships abilities to service their debt will depend upon, among other things, their future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond their control. If their operating results are not sufficient to service their indebtedness, or any future indebtedness that they incur, Kinder Morgan and the Partnerships will be forced to take actions such as reducing dividends, reducing or delaying their business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital. Kinder Morgan and the Partnerships may not be able to effect any of these actions on satisfactory terms or at all.

***Kinder Morgan s large amount of variable rate debt makes it vulnerable to increases in interest rates.***

As of December 31, 2011, on a basis pro forma for the transactions, Kinder Morgan would have had outstanding approximately $42.0 billion of consolidated debt (including debt incurred in connection with the transactions and debt classified as held for sale and excluding the fair value of interest rate swaps and unamortized purchase accounting adjustments), including $12.8 billion at KMP and $3.9 billion at EPB. Of this amount, approximately 50% was subject to variable interest rates, either as short-term or long-term debt of variable rate credit facilities or as long-term fixed-rate debt converted to variable rates through the use of interest rate swaps. Should interest rates increase, the amount of cash required to service this debt would increase and Kinder Morgan s and the Partnerships earnings could be adversely affected.

***Current or future distressed financial conditions of Kinder Morgan s customers could have an adverse impact on it in the event these customers are unable to pay Kinder Morgan for the products or services it provides.***

Some of Kinder Morgan s customers are experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. Kinder Morgan cannot provide assurance that one or more of its financially distressed customers will not default on their obligations to it or that such a default or defaults will not have a material adverse effect on its business, financial position, future results of operations or future cash flows. Furthermore, the bankruptcy of one or more of Kinder Morgan s customers, or some other similar proceeding or liquidity constraint, might make it unlikely that it would be able to collect all or a significant portion of amounts owed by the distressed entity or entities. In addition, such events might force such customers to reduce or curtail their future use of Kinder Morgan s products and services, which could have a material adverse effect on its results of operations and financial condition.

***Terrorist attacks, or the threat of them, may adversely affect Kinder Morgan s business.***

The U.S. government has issued public warnings that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. These potential targets might include Kinder Morgan s pipeline systems or storage facilities. Kinder Morgan s operations could become subject to increased governmental scrutiny that would require increased security measures. There is no assurance that adequate sabotage and terrorism insurance will be available at rates Kinder Morgan believes are reasonable in the near future. These developments may subject its operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on its business, results of operations and financial condition.

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***Future business development of Kinder Morgan s pipelines is dependent on the supply of and demand for the commodities transported by its pipelines.***

Kinder Morgan s pipelines depend on production of natural gas, oil and other products in the areas served by its pipelines. Without reserve additions, production will decline over time as reserves are depleted and production costs may rise. Producers may shut down production at lower product prices or higher production costs, especially where the existing cost of production exceeds other extraction methodologies, such as in the Alberta oil sands. Producers in areas served by Kinder Morgan may not be successful in exploring for and developing additional reserves, and Kinder Morgan s gas plants and pipelines may not be able to maintain existing volumes of throughput. Commodity prices and tax incentives may not remain at a level that encourages producers to explore for and develop additional reserves, produce existing marginal reserves or renew transportation contracts as they expire.

Changes in the business environment, such as a decline in crude oil or natural gas prices, an increase in production costs from higher feedstock prices, supply disruptions, or higher development costs, could result in a slowing of supply from oil and natural gas producing areas. In addition, with respect to the $CO_2$ business segment, changes in the regulatory environment or governmental policies may have an impact on the supply of crude oil. Each of these factors impact Kinder Morgan s customers shipping through its pipelines, which in turn could impact the prospects of new transportation contracts or renewals of existing contracts.

Throughput on Kinder Morgan s products pipelines also may decline as a result of changes in business conditions. Over the long term, business will depend, in part, on the level of demand for oil and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand.

The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and crude oil, increase Kinder Morgan s costs and may have a material adverse effect on its results of operations and financial condition. Kinder Morgan cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and oil.

***Kinder Morgan s use of hedging arrangements could result in financial losses or reduce its income.***

Kinder Morgan engages in hedging arrangements to reduce its exposure to fluctuations in the prices of oil and natural gas. These hedging arrangements expose Kinder Morgan to risk of financial loss in some circumstances, including when production is less than expected, when the counterparty to the hedging contract defaults on its contract obligations, or when there is a change in the expected differential between the underlying price in the hedging agreement and the actual price received. In addition, these hedging arrangements may limit the benefit Kinder Morgan would otherwise receive from increases in prices for oil and natural gas.

The accounting standards regarding hedge accounting are very complex, and even when Kinder Morgan engages in hedging transactions (for example, to mitigate its exposure to fluctuations in commodity prices or currency exchange rates or to balance its exposure to fixed and variable interest rates) that are effective economically, these transactions may not be considered effective for accounting purposes. Accordingly, Kinder Morgan s consolidated financial statements may reflect some volatility due to these hedges, even when there is no underlying economic impact at the dates of those statements. In addition, it is not always possible for Kinder Morgan to engage in hedging transactions that completely mitigate its exposure to commodity prices. Kinder Morgan s consolidated financial statements may reflect a gain or loss arising from an exposure to commodity prices for which it is unable to enter into a completely effective hedge.

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***The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on Kinder Morgan s ability to hedge risks associated with its business.***

The Dodd-Frank Act was signed into law by the President on July 21, 2010, and required the Commodities Futures Trading Commission, referred to as the CFTC, and the SEC to promulgate rules and regulations establishing federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The act also requires the CFTC to institute broad new position limits for futures and options traded on regulated exchanges. As the law favors exchange trading and clearing, the Dodd-Frank Act also may require Kinder Morgan to move certain derivatives transactions to exchanges where no trade credit is provided and also comply with margin requirements in connection with its derivatives activities that are not exchange traded, although the application of those provisions to Kinder Morgan is uncertain at this time. The Dodd-Frank Act also requires many counterparties to Kinder Morgan s derivatives instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty, or cause the entity to comply with the capital requirements, which could result in increased costs to counterparties such as Kinder Morgan. The Dodd-Frank Act and any new regulations could

- significantly increase the cost of derivative contracts, including those requirements to post collateral which could adversely affect Kinder Morgan s available liquidity,

- reduce the availability of derivatives to protect against risks Kinder Morgan encounters and

- reduce the liquidity of energy related derivatives.

If Kinder Morgan reduces its use of derivatives as a result of the legislation and regulations, its results of operations may become more volatile and its cash flows may be less predictable, which could adversely affect its ability to plan for and fund capital expenditures. Increased volatility may make Kinder Morgan less attractive to certain types of investors. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Kinder Morgan s revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on Kinder Morgan s financial condition and results of operations.

***Kinder Morgan s operating results may be adversely affected by unfavorable economic and market conditions.***

Economic conditions worldwide have from time to time contributed to slowdowns in several industries, including the oil and gas industry, the steel industry and in specific segments and markets in which Kinder Morgan operates, resulting in reduced demand and increased price competition for its products and services. Its operating results in one or more geographic regions also may be affected by uncertain or changing economic conditions within that region, such as the challenges that are currently affecting economic conditions in the United States and Canada. Volatility in commodity prices might have an impact on many of Kinder Morgan s customers, which in turn could have a negative impact on their ability to meet their obligations to Kinder Morgan. In addition, decreases in the prices of crude oil and natural gas liquids will have a negative impact on the results of the $CO_2$ business segment. If global economic and market conditions (including volatility in commodity markets), or economic conditions in the United States or other key markets, remain uncertain or persist, spread or deteriorate further, Kinder Morgan may experience material impacts on its business, financial condition and results of operations.

***Hurricanes and other natural disasters could have an adverse effect on Kinder Morgan s business, financial condition and results of operations.***

Some of Kinder Morgan s pipelines, terminals and other assets are located in areas that are susceptible to hurricanes and other natural disasters. These natural disasters could potentially damage or destroy Kinder Morgan s pipelines, terminals and other assets and disrupt the supply of the products it transports through its pipelines. Natural disasters can similarly affect the facilities of its customers. In either case, losses could exceed its insurance coverage and Kinder Morgan s business, financial condition and results of operations could be adversely affected, perhaps materially. In addition, Kinder Morgan s insurance premiums may increase as a result of the acquisition of El Paso s pipeline assets.

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***The tax treatment applied to KMP and EPB depends on their status as partnerships for U.S. federal income tax purposes, as well as their not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service treats KMP or EPB as a corporation for U.S. federal income tax purposes or if KMP or EPB becomes subject to a material amount of entity-level taxation for state tax purposes, the amount of cash available for distribution to KMP s or EPB s respective partners, including Kinder Morgan, would be substantially reduced.***

Kinder Morgan owns the general partner interest and approximately 11% of the limited partner interests of KMP and, if the transactions are completed, will own the general partner interest and approximately 42.1% of the limited partner interests of EPB. The anticipated after-tax economic benefit of Kinder Morgan s investment in KMP and EPB depends largely on those entities being treated as partnerships for U.S. federal income tax purposes. To maintain their status as partnerships for U.S. federal income tax purposes, current law requires that 90% or more of their gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Code. Neither KMP nor EPB has requested, or plans to request, a ruling from the Internal Revenue Service, which is referred to as the IRS, on this or any other matter affecting it.

Despite the fact that KMP and EPB are limited partnerships under Delaware law, it is possible under certain circumstances for such an entity to be treated as a corporation for U.S. federal income tax purposes. If KMP or EPB was to be treated as a corporation for U.S. federal income tax purposes, it would pay U.S. federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income taxes at varying rates. In such case, distributions by KMP or EPB, as applicable, to its partners, including Kinder Morgan, would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to its partners, including Kinder Morgan. Because a tax would be imposed on the Partnership as a corporation, its cash available for distribution would be substantially reduced. Therefore, treatment of KMP or EPB as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to its partners, including Kinder Morgan, likely causing a substantial reduction in the amount of distributions Kinder Morgan receives from such Partnership, in the value of its investment in such Partnership and in the value of Kinder Morgan s common stock.

Current law or the business of KMP or EPB may change so as to cause either or both of KMP and EPB to be treated as a corporation for U.S. federal income tax purposes or otherwise subject it to entity-level taxation. Members of Congress are considering substantive changes to the existing U.S. federal income tax laws that would affect the tax treatment of certain publicly-traded partnerships. For example, federal income tax legislation recently has been considered by Congress that would eliminate partnership tax treatment for certain publicly-traded partnerships. Although the legislation most recently considered by Congress would not appear to affect KMP s or EPB s tax treatment as a partnership for U.S. federal income tax purposes, Kinder Morgan is unable to predict whether any other proposals will ultimately be enacted. Any such changes could negatively impact Kinder Morgan s cash flows, the value of its investment in the Partnerships and the value of Kinder Morgan s common stock.

In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. For example, KMP is now subject to an entity-level tax on the portion of its total revenue that is generated in Texas. Specifically, the Texas margin tax is imposed at a maximum effective rate of 0.7% of its gross income that is apportioned to Texas. This tax reduces, and the imposition of such a tax on KMP by another state will reduce, the cash available for distribution by KMP to its partners, including Kinder Morgan.

KMP s and EPB s respective partnership agreements provide that if a law is enacted that subjects KMP or EPB, respectively, to taxation as a corporation or otherwise subjects it to entity-level taxation for U.S. federal income tax purposes, the minimum quarterly distribution and the target distribution levels for such Partnership will be adjusted to reflect the impact of such law on such Partnership.

***KMP and EPB each have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between it and its unitholders. The IRS may challenge this treatment, which could adversely affect the value of KMP s and EPB s common units.***

When KMP or EPB issues additional units or engages in certain other transactions, it determines the fair market value of its assets and allocates any unrealized gain or loss attributable to its assets to the capital accounts of its unitholders and Kinder Morgan. This methodology may be viewed as understating the value of its assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and Kinder Morgan, which may be unfavorable to such unitholders. Moreover, under each of KMP s and EPB s current valuation methods, subsequent purchasers of the common units of KMP or EPB may have a greater portion of their adjustment under Section 743(b) of the Code allocated to the tangible assets and a lesser portion allocated to its intangible assets of KMP or EPB, respectively. The IRS may challenge these valuation methods, or the Partnerships allocation of the adjustment under Section 743(b) of the Code attributable to their tangible and intangible assets, and allocations of income, gain, loss and deduction between Kinder Morgan and certain of their unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to the respective Partnership s unitholders, including Kinder Morgan. It also could affect the amount of gain from the Partnerships unitholders sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to their unitholders or their general partner s tax returns without the benefit of additional deductions.

***The Partnerships treatment of a purchaser of common units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of their common units.***

Because the Partnerships cannot match transferors and transferees of common units, they are required to maintain the uniformity of the economic and tax characteristics of these units in the hands of the purchasers and sellers of these units. The Partnerships do so by adopting certain depreciation conventions that do not conform to all aspects of the U.S. Treasury regulations. A successful IRS challenge to these conventions could adversely affect the tax benefits to a unitholder, such as Kinder Morgan, of ownership of the Partnerships common units and could have a negative impact on their value or result in audit adjustments to unitholders tax returns.

***If the unitholders of KMP or EPB remove their respective Partnership s general partner, Kinder Morgan would lose its general partner interest, including the right to incentive distributions, and the ability to manage the particular Partnership.***

Kinder Morgan owns the general partner of KMP and all of the voting shares of KMR, to which the general partner has delegated its rights and powers to control the business and affairs of KMP, subject to the approval of the general partner for certain actions. KMP s partnership agreement, however, gives unitholders of KMP the right to remove the general partner if

- the holders of $66^2/_3$% of KMP s outstanding units (including the common units, Class B units and i-units) voting as a single class vote for such removal; in such a vote, the common units and Class B units owned by the general partner and its affiliates would be excluded, a number of i-units equal to the number of KMR shares owned by the general partner and its affiliates also would be excluded, and the remaining i-units would be voted in the same proportion as the vote of the other holders of the KMR shares;

- the holders of KMP s outstanding units approve the election and succession of a new general partner by the same vote; and

- KMP receives an opinion of counsel that the removal and succession of the general partner would not result in the loss of the limited liability of any limited partner of KMP or its operating partnership subsidiaries or cause KMP or its operating partnership subsidiaries to be taxed as a corporation for federal income tax purposes.

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If the general partner were removed as general partner of KMP, it would lose its ability to manage KMP and its delegation of authority to KMR would terminate at the same time.

If the transactions are completed, Kinder Morgan will own the general partner of EPB, and EPB s partnership agreement provides for similar unitholder rights with respect to the removal of the general partner. Under both partnership agreements, the general partner would receive cash or common units in exchange for its general partner interest. While the cash or common units the general partner would receive are intended under the terms of the partnership agreements to fully compensate Kinder Morgan, as the owner of the general partner, in the event such an exchange is required, the value of the investments Kinder Morgan might make with the cash or the common units may not over time be equivalent to the value of the general partner interest and the related incentive distributions had the general partner retained its general partner interest. Currently, EPB s unitholders are unable to remove its general partner without its consent because affiliates of its general partner own sufficient units to be able to prevent the general partner s removal.

***In the future, if the general partners of KMP and EPB cease to manage and control KMP and EPB, respectively, then Kinder Morgan may be deemed to be an investment company under the Investment Company Act of 1940.***

If Kinder Morgan s subsidiaries, KMR and Kinder Morgan G.P., Inc., which is the general partner of KMP, cease to manage and control KMP, and/or if EPB s general partner ceases to manage and control EPB, Kinder Morgan may be deemed to be an investment company under the Investment Company Act of 1940. In that case, it would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify its organizational structure or its contractual rights so as to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit Kinder Morgan s ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from its affiliates, restrict its ability to borrow funds or engage in other transactions involving leverage and require it to add additional directors who are independent of it and its affiliates, and could adversely affect the price of Kinder Morgan s common stock.

***There is the potential for a change of control of the general partner of KMP if Kinder Morgan defaults on debt.***

Kinder Morgan indirectly owns all of the common equity of Kinder Morgan G.P., Inc., the general partner of KMP. If Kinder Morgan defaults on debt, then the lenders under such debt, in exercising their rights as lenders, could acquire control of Kinder Morgan G.P., Inc. or otherwise influence Kinder Morgan G.P., Inc. through their control of Kinder Morgan. A change of control of Kinder Morgan G.P., Inc. could materially adversely affect the distributions Kinder Morgan receives from KMP, which could have a material adverse impact on Kinder Morgan or its cash available for distribution to its stockholders.

***The future success of KMP s oil and gas development and production operations depends in part upon its ability to develop additional oil and gas reserves that are economically recoverable.***

The rate of production from oil and natural gas properties declines as reserves are depleted. Without successful development activities, the reserves and revenues of the oil producing assets within the $CO_2$ business segment will decline. KMP may not be able to develop or acquire additional reserves at an acceptable cost or have necessary financing for these activities in the future. Additionally, if KMP does not realize production volumes greater than, or equal to, its hedged volumes, it may suffer financial losses not offset by physical transactions.

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***KMP s development of oil and gas properties involves risks that may result in a total loss of investment.***

The business of developing and operating oil and gas properties involves a high degree of business and financial risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Acquisition and development decisions generally are based on subjective judgments and assumptions that, while they may be reasonable, are by their nature speculative. It is impossible to predict with certainty the production potential of a particular property or well. Furthermore, the successful completion of a well does not ensure a profitable return on the investment. A variety of geological, operational and market-related factors, including, but not limited to, unusual or unexpected geological formations, pressures, equipment failures or accidents, fires, explosions, blowouts, cratering, pollution and other environmental risks, shortages or delays in the availability of drilling rigs and the delivery of equipment, loss of circulation of drilling fluids or other conditions, may substantially delay or prevent completion of any well or otherwise prevent a property or well from being profitable. A productive well may become uneconomic in the event water or other deleterious substances are encountered, which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is contaminated with water or other deleterious substances.

***The volatility of natural gas and oil prices could have a material adverse effect on KMP s business and, as a result, on the distributions from KMP to Kinder Morgan.***

The revenues, profitability and future growth of the $CO_2$ business segment and the carrying value of its oil, natural gas liquids and natural gas properties depend to a large degree on prevailing oil and gas prices. For 2012, KMP estimates that every $1 change in the average West Texas Intermediate crude oil price per barrel would impact the $CO_2$ business segment s cash flows by approximately $5.8 million. Prices for oil, natural gas liquids and natural gas are subject to large fluctuations in response to relatively minor changes in the supply and demand for oil, natural gas liquids and natural gas, uncertainties within the market and a variety of other factors beyond KMP s control. These factors include, among other things:

- weather conditions and events such as hurricanes in the United States;
- the condition of the United States economy;
- the activities of the Organization of Petroleum Exporting Countries;
- governmental regulation;
- political stability in the Middle East and elsewhere;
- the foreign supply of and demand for oil and natural gas;
- the price of foreign imports; and
- the availability of alternative fuel sources.

A sharp decline in the price of natural gas, natural gas liquids or oil would result in a commensurate reduction in KMP s revenues, income and cash flows from the production of oil and natural gas and could have a material adverse effect on the carrying value of its proved reserves. In the event prices fall substantially, KMP may not be able to realize a profit from its production and would operate at a loss. In recent decades, there have been periods of both worldwide overproduction and underproduction of hydrocarbons and periods of both increased and relaxed energy conservation efforts. Such conditions have resulted in periods of excess supply of, and reduced demand for, crude oil on a worldwide basis and for natural gas on a domestic basis. These periods have been followed by periods of short supply of, and increased demand for, crude oil and natural gas. The excess or short supply of crude oil or natural gas has placed pressures on prices and has resulted in dramatic price fluctuations even during relatively short periods of seasonal market demand. These fluctuations impact the accuracy of assumptions used in KMP s budgeting process.

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***The KMP Canada segment is subject to U.S. dollar/Canadian dollar exchange rate fluctuations.***

Kinder Morgan is a U.S. dollar reporting company. As a result of the operations of the KMP Canada segment, a portion of Kinder Morgan s consolidated assets, liabilities, revenues and expenses are denominated in Canadian dollars. Fluctuations in the exchange rate between United States and Canadian dollars could expose Kinder Morgan to reductions in the U.S. dollar value of its earnings and cash flows and a reduction in its stockholders equity under applicable accounting rules.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This information statement/proxy statement/prospectus and the documents incorporated by reference in this information statement/proxy statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our respective managements, based on information currently available to our respective managements. Forward-looking statements can be identified by the use of the future tense or other forward-looking words such as believe, expect, anticipate, intend, plan, estimate, should, may, will, objective, projecti management believes, continue, strategy, position or the negative of those terms or other variations of them or by comparable terminology. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results, the ability to generate sales, income or cash flow, to realize cost savings or other benefits associated with the transactions or to pay dividends are forward-looking statements. Forward-looking statements include the information concerning possible or assumed future results of operations of our companies set forth under:

- Summary Selected Historical Consolidated Financial Data, Selected Unaudited Pro Forma Condensed Combined Financial Information, Unaudited Comparative Per Share Information of Kinder Morgan and El Paso, The Transactions Recommendation of Kinder Morgan s Board of Directors and Reasons for the Transactions, Recommendation of the El Paso s Board of Directors and Reasons for the Transactions, Certain El Paso Financial Projections, Certain Kinder Morgan Financial Projections, Opinions of Kinder Morgan s Financial Advisors, Opinion of El Paso s Financial Advisor and Unaudited Pro Forma Condensed Combined Financial Information;

- Business and Properties and Management s Discussion and Analysis of Financial Condition and Results of Operations of Kinder Morgan in its Annual Report on Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations in its Quarterly Reports on Form 10-Q, in each case incorporated by reference into this information statement/proxy statement/prospectus; and

- Business and Management s Discussion and Analysis of Financial Condition and Results of Operations of El Paso in its Annual Report on Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations in its Quarterly Reports on Form 10-Q, in each case incorporated by reference into this information statement/proxy statement/prospectus.

Although Kinder Morgan and El Paso believe that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to risks and uncertainties and are made in light of information currently available to them. Many factors, in addition to the factors described in this information statement/proxy statement/prospectus, may adversely affect results as indicated in forward-looking statements. Kinder Morgan and El Paso urge you to read carefully this entire information statement/proxy statement/prospectus, the documents incorporated by reference into this information statement/proxy statement/prospectus and the documents that are filed as exhibits to the registration statement of which this information statement/proxy statement/prospectus is a part with the understanding that actual future results may be materially different from what Kinder Morgan and El Paso expect. Many of the factors that will determine these results are beyond the ability of Kinder Morgan or El Paso to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include:

- the ability to complete the transactions;

- failure to obtain, delays in obtaining or adverse conditions contained in, any required regulatory approvals;

- the ability to complete the disposition of El Paso s oil and gas properties and operations on a timely or satisfactory basis;

- Kinder Morgan s ability to successfully integrate El Paso s operations and to realize synergies from the transactions;

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- price trends and overall demand for natural gas liquids, refined petroleum products, oil, carbon dioxide, natural gas, electricity, coal, steel and other bulk materials and chemicals in North America;

- economic activity, weather, alternative energy sources, conservation and technological advances that may affect price trends and demand;

- changes in tax laws, principally related to KMP and EPB;

- indebtedness, not only at the Kinder Morgan level, but also at the El Paso, KMP and EPB levels, which could make each vulnerable to general adverse economic and industry conditions, limit their ability to borrow additional funds, and/or place them at competitive disadvantages compared to their competitors that have less debt or have other adverse consequences;

- possible changes in credit ratings;

- capital markets conditions, inflation and interest rates;

- changes in laws or regulations, third-party relations and approvals and decisions of courts, regulators and governmental bodies that may adversely affect the business or ability to compete of Kinder Morgan or El Paso;

- changes in the tariff rates charged by Kinder Morgan s and El Paso s pipeline subsidiaries implemented by the FERC, the CPUC, Canada s National Energy Board or another regulatory agency;

- the ability to acquire new businesses and assets and integrate those operations into existing operations, as well as the ability to expand facilities;

- difficulties or delays experienced by railroads, barges, trucks, ships or pipelines in delivering products to or from terminals or pipelines;

- the ability to successfully identify and close acquisitions and dispositions and make cost-saving changes in operations;

- the ability to achieve cost savings and revenue growth;

- the ability to complete expansion projects on time and on budget;

- shut-downs or cutbacks at major refineries, petrochemical or chemical plants, ports, utilities, military bases or other businesses that use Kinder Morgan s or El Paso s services or provide services or products to them;

crude oil and natural gas production from exploration and production areas that Kinder Morgan or El Paso serves, such as the Permian and Anadarko basins of West Texas, the U.S. Rocky Mountains, the Marcellus shale gas formation in Pennsylvania, the areas of shale gas formation in Texas, Louisiana and along the Gulf Coast and the Alberta oil sands;

changes in accounting pronouncements that affect the measurement of results of operations, the timing of when such measurements are to be made and recorded and the disclosures surrounding these activities;

the ability to offer and sell equity securities and debt securities or obtain debt financing in sufficient amounts and on acceptable terms to implement that portion of the business plan that contemplates growth through acquisitions of operating businesses and assets and expansions of facilities;

interruptions of electric power supply to Kinder Morgan s or El Paso s facilities due to natural disasters, power shortages, strikes, riots, terrorism, war or other causes;

the ability to obtain insurance coverage without significant levels of self-retention of risk;

acts of nature, sabotage, terrorism or other similar acts causing damage greater than insurance coverage limits;

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- the political and economic stability of the oil producing nations of the world;
- national, international, regional and local economic, competitive and regulatory conditions and developments;
- foreign exchange fluctuations;
- the extent of Kinder Morgan s and El Paso s success in discovering, developing and producing oil and gas reserves, including the risks inherent in exploration and development drilling, well completion and other development activities;
- engineering and mechanical or technological difficulties that may be experienced with operational equipment, in well completions and workovers, and in drilling new wells;
- the uncertainty inherent in estimating future oil and natural gas production or reserves;
- the timing and success of business development efforts;
- unfavorable results of litigation and the fruition of contingencies referred to in the notes to the financial statements included in and incorporated by reference in this information statement/proxy statement/prospectus;
- Kinder Morgan s dependence on cash distributions from El Paso, KMP and EPB;
- Kinder Morgan s ability to pay the anticipated level of dividends;
- the impact of Kinder Morgan s and its subsidiaries financial results on Kinder Morgan s ability to pay dividends;
- the effect of steps taken to support KMP and EPB that reduce cash distributions received from those partnerships;
- changes in Kinder Morgan s dividend policy implemented by its board of directors or resulting from restrictions under Delaware law or the terms of any future indebtedness, including indebtedness incurred in connection with the transactions; and
- those other factors discussed in the section entitled Risk Factors.

Forward-looking statements speak only as of the date they were made, and, except to the extent required by law, Kinder Morgan and El Paso undertake no obligation to update or to review any forward-looking statement because of new information, future events or other factors. Forward-looking statements involve risks and uncertainties and are not guarantees of future performance. There is no assurance that any of the risks described under the caption Risk Factors or that any of the uncertainties associated with the forward-looking statements discussed in this information statement/proxy statement/prospectus will occur, or if any of them do, when they will occur or what impact they will have on Kinder Morgan s or El Paso s operations or financial condition. Future results and performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements when making an investment decision.

Stockholders should understand that the foregoing important factors, in addition to those discussed elsewhere in this information statement/proxy statement/prospectus or in the documents which are incorporated by reference into this information statement/proxy statement/prospectus, could affect Kinder Morgan s or El Paso s future results and could cause results to differ materially from those expressed in such forward-looking statements.

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## INFORMATION ABOUT KINDER MORGAN

### Overview

Kinder Morgan owns the general partner and approximately 11% of the limited partner interests of Kinder Morgan Energy Partners, L.P., a publicly traded pipeline limited partnership whose limited partner units are traded on the NYSE under the ticker symbol KMP. Additionally, the shares of Kinder Morgan s subsidiary that manages KMP, Kinder Morgan Management, LLC, are traded on the NYSE under the ticker symbol KMR. Through Kinder Morgan s indirect ownership of all of KMR s voting shares, Kinder Morgan has the ability to elect all of the directors of KMR. KMP is one of the largest energy transportation and storage companies in North America in terms of market capitalization.

As of December 31, 2011, Kinder Morgan s interests in KMP and its affiliates consisted of the following:

- the general partner interest, which Kinder Morgan holds through its ownership of the common equity of the general partner of KMP and which entitles Kinder Morgan to receive incentive distributions;
- 21.7 million of the 238.0 million outstanding KMP units, representing an approximately 6.4% limited partner interest; and
- 14.1 million of KMP s 98.5 million outstanding i-units, representing an approximately 4.2% limited partner interest, through Kinder Morgan s ownership of 14.1 million KMR shares (i-units are a class of KMP s limited partner interests that receive distributions in the form of additional i-units instead of cash).

Kinder Morgan also owns a 20% equity interest in NGPL, the owner of Natural Gas Pipeline Company of America, a major interstate natural gas pipeline and storage system which Kinder Morgan operates.

Through Kinder Morgan s subsidiaries, including KMP, it operates or owns an interest in approximately 37,000 miles of pipelines and approximately 180 terminals. These pipelines transport natural gas, gasoline, crude oil, carbon dioxide and other products, and these terminals store petroleum products and chemicals and handle bulk materials like coal and petroleum coke.

### Recent History

In May 2007, Kinder Morgan, Inc., a Kansas corporation which indirectly owned all of the common equity of the general partner of KMP, was acquired by Knight Holdco LLC in a transaction referred to in this information statement/proxy statement/prospectus as the Going Private Transaction. In July 2009, Knight Holdco LLC was renamed Kinder Morgan Holdco LLC. In connection with Kinder Morgan s initial public offering in February 2011, Kinder Morgan Holdco LLC was converted into a Delaware corporation named Kinder Morgan, Inc., referred to as Kinder Morgan, and the then existing Kinder Morgan, Inc. was renamed Kinder Morgan Kansas, Inc., referred to as KMK. On February 29, 2012, KMK and Kinder Morgan Holdco DE Inc., its direct parent, were merged with and into Kinder Morgan.

Kinder Morgan is currently owned by the public and by individuals and entities that were the owners of Kinder Morgan Holdco LLC, which are referred to collectively in this information statement/proxy statement/prospectus as the Investors. The Investors are:

- Richard D. Kinder, Kinder Morgan s Chairman and Chief Executive Officer;
- the Sponsor Investors;
- the Original Stockholders; and

a number of other members of Kinder Morgan s management, who are referred to collectively as Other Management.

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The Investors currently own all of Kinder Morgan s outstanding Class A shares, Class B shares and Class C shares, which are sometimes referred to in this information statement/proxy statement/prospectus as the investor retained stock. As of December 31, 2011, there were 170,921,140 shares of Kinder Morgan Class P common stock outstanding, and the shares of the investor retained stock were convertible into an aggregate of 535,972,387 shares of Kinder Morgan Class P common stock. As a result, as of December 31, 2011 Kinder Morgan had 706,893,527 shares of Class P common stock outstanding on a fully-converted basis.

Kinder Morgan s Class A shares represent the total capital contributed by the Investors (and a notional amount of capital allocated to the contribution of the holders of the Class C shares) at the time of the Going Private Transaction. The Class B shares and Class C shares represent incentive compensation that is held by members of Kinder Morgan management, including Mr. Kinder only in the case of the Class B shares. See Executive Compensation Compensation Discussion and Analysis Compensation Related to the Going Private Transaction in Kinder Morgan s Annual Report on Form 10-K for the year ended December 31, 2011 which is incorporated by reference into this information statement/proxy statement/prospectus.

Kinder Morgan s principal executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002, and its telephone number is (713) 369-9000. More information about Kinder Morgan is also available on its website, www.kindermorgan.com. You should read carefully the business and financial information contained in this document and the documents incorporated by reference into this document, a list of which is contained in the section entitled Incorporation by Reference.

**Sherpa Merger Sub, Inc.**

Sherpa Merger Sub, Inc., a Delaware corporation, is a direct wholly owned subsidiary of Kinder Morgan that was formed solely in contemplation of the transactions, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. Sherpa Merger Sub, Inc. has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement. Its principal executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002, and its telephone number is (713) 369-9000.

**Sherpa Acquisition, LLC**

Sherpa Acquisition, LLC, a Delaware limited liability company, is a direct wholly owned subsidiary of Kinder Morgan that was formed solely in contemplation of the transactions, has not commenced any operations, has only nominal assets and has no liabilities or contingent liabilities, nor any outstanding commitments other than as set forth in the merger agreement. Sherpa Acquisition, LLC has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement. Its principal executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002, and its telephone number is (713) 369-9000.

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## INFORMATION ABOUT EL PASO

### El Paso Corporation

*Overview*

El Paso Corporation is a publicly traded Delaware corporation, whose common stock trades on the NYSE under the ticker EP. It is an energy company that operates primarily in the natural gas transmission, exploration and production sectors of the energy industry. El Paso s purpose is to provide natural gas and related energy products in a safe, efficient and dependable manner. It offers natural gas transmission services to a range of customers, including natural gas producers, marketers and end-users, as well as other natural gas transmission, distribution and electric generation companies. El Paso s operations are conducted through two core segments: (1) pipelines and (2) exploration and production.

El Paso is also the general partner of EPB. As of December 31, 2011, El Paso s equity interest in EPB consisted of a 2% general partner interest and a 42.1% limited partner interest.

Its pipelines group is the nation s largest interstate natural gas pipeline franchise, transporting natural gas through interstate natural gas pipelines that connect the nation s principal supply regions to its major consuming regions (the Gulf Coast, California, the northeast, the southwest and the southeast). The pipelines business also includes storage and liquefied natural gas terminalling facilities. El Paso s exploration and production segment is a leading natural gas producer that is active in all phases of the value chain (exploring for, acquiring, developing and producing natural gas and oil) and has a substantial footprint in the emerging shale plays across the U.S. and international developments in Brazil and Egypt.

El Paso s principal executive offices are located at 1001 Louisiana Street, Houston, Texas 77002, and its telephone number is (713) 420-2600. More information about El Paso is also available on its website, www.elpaso.com. You should read carefully the business and financial information contained in this document and the documents incorporated by reference into this document, a list of which is contained in the section entitled Incorporation by Reference.

*Recent Developments*

On December 19, 2011, El Paso announced estimated proved oil and natural gas reserves of approximately 4.0 trillion cubic feet equivalent (Tcfe) as of December 31, 2011, which is an increase of approximately 18 percent from the 3.4 Tcfe reported as of December 31, 2010.

### Sirius Holdings Merger Corporation

Sirius Holdings Merger Corporation, a Delaware corporation, is a direct, wholly owned subsidiary of El Paso Corporation. It was formed by El Paso solely for the purpose of engaging in the transactions contemplated by the merger agreement. Sirius Holdings Merger Corporation has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement and the first merger agreement. Its principal executive offices are located at 1001 Louisiana Street, Houston, Texas 77002, and its telephone number is (713) 420-2600.

### Sirius Merger Corporation

Sirius Merger Corporation, a Delaware corporation, is a direct, wholly owned subsidiary of Sirius Holdings Merger Corporation and an indirect, wholly owned subsidiary of El Paso Corporation. It was formed by El Paso solely for the purpose of engaging in the transactions contemplated by the merger agreement and the first merger agreement. Sirius Merger Corporation has not incurred any obligations, engaged in any business activities or entered into any agreements or arrangements with any third parties other than the merger agreement. Its principal executive offices are located at 1001 Louisiana Street, Houston, Texas 77002, and its telephone number is (713) 420-2600.

## EL PASO SPECIAL MEETING

### General

This information statement/proxy statement/prospectus is being provided to El Paso stockholders as part of a solicitation of proxies by the board of directors of El Paso for use at the special meeting of El Paso stockholders and at any adjournments or postponements of such special meeting. This information statement/proxy statement/prospectus provides El Paso stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting of El Paso stockholders.

A prior version of this information statement/proxy statement/prospectus and the enclosed proxy card(s) was first sent to El Paso stockholders on or about January 31, 2012.

### Purposes of the El Paso Special Meeting

The special meeting of El Paso stockholders is being held for the following purposes:

- ***Proposal 1***: to consider and vote upon a proposal to adopt the merger agreement (attached as Annex A) and the first merger agreement (attached as Annex B) and to approve the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement and the second merger on the terms set forth in the merger agreement;

- ***Proposal 2***: to consider and vote upon any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting;

- ***Proposal 3***: to consider and cast an advisory (non-binding) vote on the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions; and

- ***Other Matters***: to transact any other business as may properly come before the special meeting or any adjournment or postponement of such special meeting.

### Recommendation of El Paso s Board of Directors

The board of directors of El Paso recommends that the stockholders of El Paso vote:

- ***Proposal 1***: **FOR** adoption of the merger agreement and the first merger agreement and approval of the transactions contemplated by the merger agreement and the first merger agreement;

- ***Proposal 2***: **FOR** any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting; and

- ***Proposal 3***: **FOR** the approval on an advisory (non-binding) basis the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions.

**El Paso s board of directors has approved and declared advisable the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement, and the second merger on the terms set forth in the merger agreement.** See The Transactions Recommendation of El Paso s Board of Directors and Reasons for the Transactions. El Paso s board of directors did not, and does not, make any recommendation as to whether or to what extent any El Paso stockholder should make a cash election, stock election or mixed election with respect to the merger consideration.

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In considering the recommendation of the El Paso board of directors with respect to the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, El Paso stockholders should be aware that some of El Paso s directors and executive officers may have interests that are different from, or in addition to, the interests of El Paso stockholders more generally and that Goldman Sachs may have interests in the transactions that are different from, or in addition to, El Paso stockholders more generally. See The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors and Interests of Certain Persons in the Transactions Goldman Sachs.

This information statement/proxy statement/prospectus contains important information regarding these proposals and factors that El Paso stockholders should consider when deciding how to cast their votes. El Paso stockholders are encouraged to read the entire document carefully, including the annexes and documents incorporated by reference into this document, for more detailed information regarding the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement.

**Date, Time and Place of the El Paso Special Meeting**

The El Paso special meeting will be held on March 6, 2012, beginning at 9 a.m., local time, at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas 77002, unless postponed or adjourned to a later date.

**Attendance at the El Paso Special Meeting**

Only El Paso stockholders of record as of the record date, beneficial owners as of the record date, holders of valid proxies for the special meeting and invited guests of El Paso may attend the special meeting.

All attendees should be prepared to present government-issued photo identification (such as a driver s license or passport) for admittance. The additional items, if any, that attendees must bring depend on whether they are stockholders of record, beneficial owners or proxy holders.

- An El Paso stockholder who holds shares directly registered in such stockholder s name with El Paso s transfer agent, Computershare Trust Company, N.A. (referred to as a stockholder of record ), who wishes to attend the special meeting in person should bring government-issued photo identification.

- A stockholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to as a beneficial owner ) who wishes to attend the special meeting in person should bring:

  - government-issued photo identification; and

  - proof of beneficial ownership as of the record date (e.g., a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner s shares, a brokerage account statement or the voting instruction form provided by the broker).

- A person who holds a validly executed proxy entitling such person to vote on behalf of a record or beneficial owner of El Paso shares (referred to as a proxy holder ) who wishes to attend the special meeting in person should bring:

  - government-issued photo identification;

  - the validly executed proxy naming such person as the proxy holder, signed by the El Paso stockholder; and proof of the signing stockholder s record or beneficial ownership as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the special meeting may prevent stockholders from being admitted to the El Paso special meeting.

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El Paso is able to provide reasonable assistance to help persons with disabilities participate in the special meeting if El Paso is notified in advance of requested accommodations. Please write to El Paso Corporation, Attn: Corporate Secretary, 1001 Louisiana Street, Houston, Texas, 77002.

**Record Date**

The record date for the El Paso special meeting is January 20, 2012. That means that all El Paso stockholders who held shares of record at the close of business on January 20, 2012 are entitled to vote at the special meeting and any adjournment or postponement of the special meeting, provided that such shares remain outstanding on the date of the special meeting.

**Outstanding Shares as of Record Date**

As of the record date, there were 773,738,056 shares of El Paso common stock outstanding, held by 24,815 holders of record. Each of the 773,738,056 shares is entitled to one vote at the El Paso special meeting. Common stock is the only class of stock entitled to vote, and holders of common stock are entitled to vote on each proposal presented at the El Paso special meeting.

A complete list of registered El Paso stockholders entitled to vote at the El Paso special meeting will be available for inspection at the principal place of business of El Paso during regular business hours for a period of no less than 10 days before the special meeting and at the place of the El Paso special meeting during the meeting.

**Shares and Voting of El Paso s Directors and Executive Officers**

As of the record date, El Paso directors and executive officers, as a group, owned and were entitled to vote 4,462,083 shares of El Paso common stock, or approximately 0.577% of the outstanding shares of El Paso common stock. These directors and executive officers have informed El Paso that they intend to vote their shares in favor of Proposals 1, 2 and 3, but none of El Paso s directors and executive officers has entered into any agreement obligating such director or executive officer to do so or to retain their currently owned shares of El Paso common stock.

**Quorum**

In order for business to be conducted at the special meeting, a quorum must be present. A quorum requires the presence, in person or by proxy, of holders of a majority of the outstanding El Paso shares entitled to vote at the special meeting. For purposes of determining whether there is a quorum, all shares that are present, including abstentions and broker non-votes, will count towards the quorum.

**Vote Required**

The votes required for each proposal are as follows:

***Proposal 1***. The affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of El Paso common stock is required to adopt the merger agreement and the first merger agreement and to approve the transactions contemplated by the merger agreement and the first merger agreement. The required vote on Proposal 1 is based on the number of outstanding shares not the number of shares actually voted. The failure of any El Paso stockholder to submit a vote (i.e., not submitting a proxy and not voting in person) and any abstention from voting by an El Paso stockholder will have the same effect as a vote against Proposal 1. Likewise, broker non-votes will have the same effect as voting against Proposal 1. Broker non-votes occur when a beneficial owner holding shares in street name does not instruct the broker, bank, trustee or other nominee that is the record owner of such stockholder s shares on how to vote those shares on a particular proposal, and the broker, bank, trustee or other nominee does not have discretionary voting power with respect to such proposal. In this case, brokers, banks and other nominees do not have discretionary authority to vote on Proposal 1, because Proposal 1 is not routine. Consequently, the failure of a beneficial owner to provide voting instructions to its broker, bank, trustee or other nominee will have the same effect as a vote against Proposal 1.

***Proposal 2***. The affirmative vote, in person or by proxy, of the holders of a majority of the shares of El Paso common stock present, in person or by proxy, at the special meeting and entitled to vote on the matter is required to approve any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting. The required vote on Proposal 2 is based on the number of shares present not the number of outstanding shares. Abstentions from voting will therefore have the same effect as a vote against Proposal 2. Brokers, banks, trustees and other nominees do not have discretionary authority to vote on Proposal 2 and therefore will not be able to vote on Proposal 2 absent instructions from the beneficial owner; however, broker non-votes or the failure to otherwise submit a proxy will have no effect on the outcome of Proposal 2.

***Proposal 3***. The affirmative vote, in person or by proxy, of the holders of a majority of the shares of El Paso common stock present, in person or by proxy, at the special meeting and entitled to vote is required to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to El Paso s named executive officers that is based on or otherwise relates to the proposed transactions. The required vote on Proposal 3 is based on the number of shares present not the number of outstanding shares. However, while the El Paso board of directors intends to consider the vote resulting from this proposal, the vote is advisory only and therefore not binding on El Paso or Kinder Morgan, and, if the proposed transactions with Kinder Morgan are approved by El Paso stockholders and consummated, the compensation will be payable even if Proposal 3 is not approved. Brokers, banks, trustees and other nominees do not have discretionary authority with respect to Proposal 3; however, broker non-votes or the failure to otherwise submit a proxy will not affect the outcome of Proposal 3. Abstentions from voting on Proposal 3 will have the same effect as a vote against Proposal 3.

**Other Matters of Business**

At this time, El Paso is not aware of any other matters that will be presented for a vote at the El Paso special meeting. If any other matters properly come before the special meeting, the proxies will have the discretion to vote upon such matters in accordance with their best judgment. To the extent El Paso receives proper notice of a stockholder s intent to bring a matter before the special meeting, El Paso will in advance of the special meeting advise stockholders as to how the proxies intend to vote on such matter.

**How to Vote**

El Paso stockholders as of the record date may vote by proxy or in person by ballot at the special meeting by following the instructions provided on the enclosed proxy card. El Paso recommends that El Paso stockholders entitled to vote submit a proxy even if they plan to attend the special meeting.

El Paso stockholders who hold their shares beneficially in street name and wish to vote by proxy must provide instructions to the broker, bank, trustee or other nominee that holds their shares of record as to how to vote their shares with respect to Proposals 1 and 2. El Paso stockholders who hold their shares beneficially and wish to vote in person at the special meeting must obtain proxies issued in their own names (known as a legal proxy ).

El Paso stockholders of record may vote by proxy in one of three ways or in person at the special meeting:

*Internet*: El Paso stockholders may submit their proxy over the Internet at the web address shown on their proxy card. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m., Eastern time, on March 5, 2012. Stockholders will be given an opportunity to confirm that their voting instructions have been properly recorded. El Paso stockholders who vote this way should NOT send in their proxy card.

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- *Telephone*: El Paso stockholders may submit their proxy by calling the toll-free telephone number shown on their proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m., Eastern time, on March 5, 2012. Easy-to-follow voice prompts will guide stockholders through the voting and allow them to confirm that their instructions have been properly recorded. El Paso stockholders who vote this way should NOT send in their proxy card.

- *Mail*: El Paso stockholders may submit their proxy by properly completing, signing, dating and mailing their proxy card in the postage-paid envelope (if mailed in the United States) included with this information statement/proxy statement/prospectus. El Paso stockholders who vote this way should mail the proxy card early enough so that it is received before the date of the special meeting.

- *In Person*: El Paso stockholders may vote in person at the special meeting or by sending a representative with an acceptable proxy that has been signed and dated. El Paso will provide a ballot for voting at the special meeting. Attendance at the special meeting will not, in and of itself, constitute a vote or a revocation of a prior proxy, however.

El Paso stockholders are encouraged to vote and to vote promptly. Each valid proxy received in time will be voted at the special meeting according to the choice specified, if any. Executed but uninstructed proxies (i.e., proxies that are properly signed, dated and returned but are not marked to tell the proxies how to vote) will be voted in accordance with the recommendations of El Paso s board of directors.

**Revocability of Proxies**

El Paso stockholders of record may change their vote at any time before their shares are voted at the El Paso special meeting in any of the following ways:

- sending a written notice of revocation to El Paso Corporation, Attn: Corporate Secretary, 1001 Louisiana Street, Houston, Texas, 77002, which must be received before their shares are voted at the special meeting;

- properly submitting a new proxy card, which must be received before their shares are voted at the special meeting (in which case only the later-submitted proxy is counted and the earlier proxy is revoked);

- voting via Internet or by telephone at a later date (in which case only the later-submitted proxy is counted and the earlier proxy is revoked); or

- attending the El Paso special meeting and voting by ballot in person.

El Paso beneficial owners may change their vote only by submitting new voting instructions to the brokers, banks or other nominees that hold their shares of record.

**Inspector of Election**

The board of directors of El Paso has appointed a representative of Computershare Trust Company, N.A. to act as the inspector of election at the El Paso special meeting.

**Proxy Solicitations**

El Paso will pay for the proxy solicitation costs related to the El Paso special meeting, except that El Paso and Kinder Morgan will share equally the expenses incurred in connection with the printing, filing and mailing of the Form S-4 and the information statement/proxy statement/prospectus. In addition to sending and making available these materials, some of El Paso s directors, officers and other employees may solicit proxies by contacting El Paso stockholders by telephone, by mail, by e-mail or in person. El Paso stockholders may also be solicited by press releases issued by El Paso and/or Kinder Morgan, postings on El Paso s or Kinder Morgan s

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websites and advertisements in periodicals. None of El Paso s directors, officers or employees will receive any extra compensation for their solicitation services. El Paso has also retained MacKenzie Partners, Inc. to assist in the solicitation of proxies for an estimated fee of approximately $60,000, plus reasonable out-of-pocket expenses. El Paso will also reimburse brokers, banks and other nominees for their expenses in sending proxy solicitation materials to the beneficial owners of El Paso common stock and obtaining their proxies.

**Results of the El Paso Special Meeting**

The preliminary voting results will be announced at the El Paso special meeting. In addition, within four business days following certification of the final voting results, El Paso intends to file the final voting results with the SEC on Form 8-K.

**Adjournments**

The El Paso special meeting may be adjourned in the absence of a quorum by the affirmative vote of a holders of a majority of the outstanding shares having voting power represented at the special meeting either in person or by proxy.

Even if a quorum is present, the El Paso special meeting could also be adjourned in order to provide more time to solicit additional proxies in favor of adoption of the merger agreement and the first merger agreement, provided sufficient votes are cast in favor of Proposal 2.

If the adjournment is for more than 30 days or if a new record date is set, a notice of the adjourned meeting must be given to each stockholder of record entitled to vote at the special meeting. However, no notice must be given if the time and place and the means of remote communication, if any, of the adjourned meeting is announced at the special meeting being adjourned.

**Questions**

El Paso stockholders may contact El Paso s proxy solicitor, MacKenzie Partners, Inc., with any questions about the proposals or how to vote or to request additional copies of any materials at (800) 322-2885.

**Proposal No. 1 Adoption of the Merger Agreement and the First Merger Agreement and Approval of the Transactions Contemplated by the Merger Agreement and the First Merger Agreement**

(Item 1 on the El Paso proxy card)

This information statement/proxy statement/prospectus is being furnished to you as a stockholder of El Paso as part of the solicitation of proxies by El Paso s board of directors for use at the El Paso special meeting to consider and vote upon a proposal to adopt the merger agreement (which is attached as Annex A) and the first merger agreement (which is attached as Annex B) and to approve the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement and the second merger on the terms set forth in the merger agreement.

The acquisition of El Paso by Kinder Morgan cannot be completed without the affirmative vote of the holders of at least a majority of the outstanding shares of El Paso common stock entitled to vote as of the record date for the special meeting. If you do not vote, the effect will be the same as a vote against the proposal to adopt the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement.

El Paso urges you to read this entire information statement/proxy statement/prospectus carefully, including the merger agreement, first merger agreement and other annexes and any documents incorporated by reference

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into this document. For a list of documents incorporated by reference into this document and information on how to obtain them, see the section entitled Where You Can Find More Information.

**El Paso s board of directors has approved and declared advisable the merger agreement and the first merger agreement and the transactions contemplated by the merger agreement and the first merger agreement, including the first merger on the terms set forth in the first merger agreement, and the second merger on the terms set forth in the merger agreement.**

**EL PASO S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT AND THE FIRST MERGER AGREEMENT AND APPROVAL OF THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AND THE FIRST MERGER AGREEMENT.**

**Proposal No. 2 Any Adjournment to Solicit Additional Proxies, if Necessary**

(Item 2 on the El Paso proxy card)

The El Paso special meeting may be adjourned to another time and place, if necessary or appropriate, to permit, among other things, further solicitation of proxies if necessary to obtain additional votes in favor of adoption of the merger agreement and the first merger agreement.

El Paso is asking you to authorize the holder of any proxy solicited by El Paso s board of directors to vote in favor of any adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the first merger agreement at the time of the special meeting.

**EL PASO S BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ANY ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES TO ADOPT THE MERGER AGREEMENT AND THE FIRST MERGER AGREEMENT.**

**Proposal No. 3 Advisory Vote on Change of Control Payments to El Paso Named Executive Officers**

(Item 3 on the El Paso proxy card)

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of El Paso s named executive officers that is based on or otherwise relates to the proposed transactions, as disclosed in this information statement/proxy statement/prospectus, including the compensation table and the related narrative named executive officer compensation disclosures set forth in The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors (referred to as the change of control payments ). This vote is commonly referred to as a golden parachute say on pay vote. Accordingly, El Paso s stockholders are being provided with the opportunity to cast an advisory vote on such change of control payments.

As an advisory vote, this proposal is not binding upon El Paso or the board of directors of El Paso, and approval of this proposal is not a condition to completion of the proposed transactions. However, El Paso seeks your support and thinks that your support is appropriate because El Paso has a comprehensive executive compensation program that is designed to link its executives compensation as closely as possible with El Paso s performance and to align the executives interests with yours as stockholders. The plans and arrangements pursuant to which the change of control payments are payable were, except with respect to any new arrangements entered into in connection with the proposed transactions, previously disclosed to El Paso s stockholders as part of the Compensation Discussion and Analysis and related sections of El Paso s annual proxy statements. The change of control payments are a part of El Paso s comprehensive executive compensation program and are

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intended to align El Paso s named executive officers interests with yours as stockholders by ensuring their continued retention and commitment during critical events such as the proposed transactions, which may create significant personal uncertainty for them.

Accordingly, El Paso asks you to vote on the following resolution:

RESOLVED, that El Paso s stockholders approve, on an advisory (non-binding) basis, the compensation of El Paso s named executive officers that is based on or otherwise relates to the proposed transactions, as disclosed pursuant to Item 402(t) of Regulation S-K under the heading The Transactions Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors (which disclosure includes the compensation table and related narrative named executive officer compensation disclosures required pursuant to Item 402(t) of Regulation S-K).

**EL PASO S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL ON AN ADVISORY (NON-BINDING) BASIS OF THE COMPENSATION THAT MAY BE PAID OR BECOME PAYABLE TO EL PASO S NAMED EXECUTIVE OFFICERS THAT IS BASED ON OR OTHERWISE RELATES TO THE PROPOSED TRANSACTIONS, AS DISCLOSED IN THIS INFORMATION STATEMENT/PROXY STATEMENT/PROSPECTUS.**

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## KINDER MORGAN SPECIAL MEETING

### Date, Time and Place

The special meeting of holders of Kinder Morgan Class P common stock and Class A common stock, referred to together as the Kinder Morgan voting common stock, will be held at 10 a.m., local time, on March 2, 2012, at 500 Dallas Street, Suite 1000, Houston, Texas 77002, unless postponed or adjourned to a later date. Kinder Morgan is sending this information statement/proxy statement/prospectus to the holders of Kinder Morgan Class P common stock and Class A common stock in order to provide such stockholders with information on the proposal being voted on at the special meeting.

### Purpose of the Meeting

At the Kinder Morgan special meeting, Kinder Morgan will ask the holders of Kinder Morgan voting common stock to consider and vote on a proposal to approve the issuance of shares of Kinder Morgan Class P common stock and the warrants as part of the merger consideration, and the issuance of shares of Kinder Morgan Class P common stock to be issued upon exercise of those warrants, referred to in this information statement/proxy statement/prospectus as the share and warrant issuance proposal.

### Record Date and Vote Required

Only holders of record of Kinder Morgan s Class P common stock, $0.01 par value per share, and Class A common stock, $0.01 par value per share, at the close of business on January 20, 2012, or the record date, will be entitled to notice of, and vote at, the special meeting. On January 20, 2012, there were 170,921,140 shares of Kinder Morgan Class P common stock and 535,972,387 shares of Kinder Morgan Class A common stock issued and outstanding, representing all of the voting securities of Kinder Morgan allowed to vote on the share and warrant issuance proposal to be presented at the special meeting. Each share of Kinder Morgan Class P common stock is entitled to one vote and each share of Kinder Morgan Class A common stock is entitled to one vote, and they will be voted as a single class.

The affirmative vote of at least a majority of the votes cast (including abstentions) on the share and warrant issuance proposal by holders of shares of Kinder Morgan voting common stock present in person or by proxy and entitled to vote on the share and warrant issuance proposal is required to approve the proposal, so long as the total vote cast on the proposal represents at least a majority of the shares of Kinder Morgan voting common stock entitled to vote on the proposal, assuming a quorum is present. **Richard Kinder and certain other stockholders of Kinder Morgan who currently hold, in the aggregate, approximately 75% of the voting power of Kinder Morgan have agreed to vote their shares of Kinder Morgan voting common stock in favor of the share and warrant issuance proposal. In addition, these stockholders agreed to retain collectively, until the approval of the share and warrant issuance proposal or until the voting agreement is terminated, whichever is earlier, an amount of shares of Kinder Morgan voting common stock that is sufficient to approve the share and warrant issuance proposal. Therefore, proxies are not being solicited from the holders of Kinder Morgan voting common stock and no further votes are required to approve the share and warrant issuance proposal.**

Kinder Morgan believes that each of its directors and executive officers intends to vote his or her shares in favor of approval of the share and warrant issuance proposal. As of the record date, Kinder Morgan s directors and executive officers beneficially owned approximately 54,004,648 of the outstanding shares of Kinder Morgan Class P common stock, representing approximately 31.6% of the total outstanding shares of Kinder Morgan Class P common stock, and beneficially owned approximately 433,479,425 of the outstanding shares of Kinder Morgan Class A common stock, representing approximately 80.9% of the total outstanding shares of Kinder Morgan Class A common stock. The shares of Class P common stock and Class A common stock beneficially owned by Kinder Morgan directors and executive officers include 454,960,928 shares that are subject to the voting agreement. See Security Ownership of Kinder Morgan.

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**Quorum**

In order for business to conducted at the Kinder Morgan special meeting, a quorum must be present. The presence of holders of a majority of the shares of Kinder Morgan Class P common stock and Class A common stock, counted as a single class, is necessary to constitute a quorum at the Kinder Morgan special meeting.

**Voting on Matters Presented**

As proxies are not being solicited, all voting will be done in person at the special meeting. Ballots will be available to all holders of Kinder Morgan voting common stock in attendance at the meeting; provided that they comply with the requirements under the caption Attendance at the Kinder Morgan Special Meeting below.

Kinder Morgan s board of directors recommends that the holders of Kinder Morgan voting common stock vote FOR the share and warrant issuance proposal.

**Shares Held in Street Name**

Generally, a broker, bank, trustee or other nominee may only vote the Kinder Morgan voting common stock that it holds in street name for you in accordance with your instructions. Therefore, if a stockholder is the beneficial owner of shares held in street name by a broker, and wishes to vote on the share and warrant issuance proposal, such stockholders must give instructions to his or her broker on how to vote the shares. If a stockholder plans to attend the special meeting and wishes to vote in person, but his or her shares are held in street name, such stockholder must obtain a legal proxy from the appropriate broker, bank, trustee or other nominee authorizing the stockholder to vote the shares in person, which the stockholder must bring to the meeting.

**Attendance at the Kinder Morgan Special Meeting**

Only holders of Kinder Morgan Class P common stock and Class A shares of record as of the record date, beneficial owners as of the record date, holders of valid proxies for the special meeting and invited guests of Kinder Morgan may attend the special meeting.

All attendees should be prepared to present government-issued photo identification (such as a driver s license or passport) for admittance. The additional items, if any, that attendees must bring depend on whether they are stockholders of record, beneficial owners or proxy holders.

- A Kinder Morgan stockholder who holds shares directly registered in such stockholder s name with Kinder Morgan s transfer agent, Computershare Trust Company, N.A. (referred to as a stockholder of record ) who wishes to attend the special meeting in person should bring government-issued photo identification.

- A stockholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to as a beneficial owner ) who wishes to attend the special meeting in person should bring:

  - government-issued photo identification; and

  - proof of beneficial ownership as of the record date (e.g., a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner s shares or a brokerage account statement provided by the broker).

- A person who holds a validly executed proxy entitling such person to vote on behalf of a record or beneficial owner of Kinder Morgan shares entitled to vote at the meeting (referred to as a proxy holder ) who wishes to attend the special meeting in person should bring:

government-issued photo identification;

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the validly executed proxy naming such person as the proxy holder, signed by the Kinder Morgan record stockholder; and

proof of the signing stockholder s record or beneficial ownership as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the special meeting may prevent stockholders from being admitted to the Kinder Morgan special meeting.

**Assistance**

If you have questions regarding Kinder Morgan s special meeting, please contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Call Collect: (212) 929-5500

Toll Free: (800) 322-2885

email: proxy@mackenziepartners.com

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## THE TRANSACTIONS

*This section of the information statement/proxy statement/prospectus describes the material aspects of the proposed transactions. This section may not contain all of the information that is important to you. You should carefully read this entire information statement/proxy statement/prospectus and the documents incorporated herein by reference, including the full text of the merger agreement (which is attached as Annex A) and the first merger agreement (which is attached as Annex B), for a more complete understanding of the transactions. In addition, important business and financial information about each of Kinder Morgan and El Paso is included in or incorporated into this information statement/proxy statement/prospectus by reference and is included in the Annexes hereto. See Where You Can Find More Information.*

### Effect of the Transactions

Upon satisfaction or waiver of the condition to closing in the first merger agreement, Merger Sub One will merge with and into El Paso in the first merger. El Paso will be the surviving corporation in the first merger. In the first merger, each share of El Paso common stock issued and outstanding immediately prior to the effective time of the first merger will be converted into and exchanged for one share of New El Paso common stock. The rights pertaining to New El Paso common stock will be the same as the rights pertaining to El Paso common stock. Similarly, each outstanding equity award with respect to El Paso common stock will be converted, on the same terms and conditions, into an equivalent equity award with respect to New El Paso common stock. At the effective time of the first merger, shares of El Paso common stock will cease to trade on the NYSE and the shares of New El Paso common stock will commence trading on the NYSE. Upon consummation of the first merger, El Paso will become a wholly owned subsidiary of New El Paso. Immediately after the consummation of the first merger, El Paso will be converted into a Delaware limited liability company and will remain a wholly owned subsidiary of New El Paso. Set forth below is a diagram depicting the structure of the transactions described above.

* In the first merger, shares of El Paso will be converted into shares of New El Paso, so the former holders of El Paso stock will, upon completion of the first merger, own all of the outstanding shares of New El Paso. Following the time of the first merger, El Paso will be converted into a limited liability company.

Upon satisfaction or waiver of the conditions to closing in the merger agreement, and at least twenty days after the consummation of the first merger, Merger Sub Two will merge with and into New El Paso in the second merger. New El Paso will be the surviving corporation in the second merger and will become a wholly owned

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subsidiary of Kinder Morgan. At the effective time of the second merger, each share of New El Paso common stock issued and outstanding immediately prior to the effective time of the second merger (excluding shares held by New El Paso in treasury, any shares held by Kinder Morgan, Merger Sub Two or Merger Sub Three and any shares held by any other subsidiary of Kinder Morgan or New El Paso and dissenting shares in accordance with Delaware law) will be converted into the right to receive, at the election of the holder but subject to proration with respect to the stock and cash portion so that approximately 57% of the aggregate merger consideration (excluding the warrants) is paid in cash and approximately 43% (excluding the warrants) is paid in Kinder Morgan Class P common stock, one of the following:

0.9635 of a share of Kinder Morgan Class P common stock (referred to as the Exchange Ratio ) (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $31.14 on a rounded basis) and 0.640 of a warrant (which has an assumed value of $0.96 and is referred to as the Per Share Warrant Consideration ) to purchase one share of Kinder Morgan Class P common stock (any such election referred to as a stock election and such New El Paso shares referred to as the stock election shares );

$25.91 in cash without interest (referred to as the Per Share Cash Election Consideration ) and the Per Share Warrant Consideration (any such election referred to as a cash election and such New El Paso shares referred to as the cash election shares ); or

0.4187 of a share of Kinder Morgan Class P common stock (referred to as the Mixed Election Stock Exchange Ratio ) (which, based on $32.32, the closing price of Kinder Morgan Class P common stock as of February 23, 2012, had a value of $13.53 on a rounded basis), $14.65 in cash without interest (referred to as the Per Share Cash Amount ) and the Per Share Warrant Consideration (any such election referred to as a mixed election and such New El Paso shares referred to as the mixed consideration election shares ).

The closing price of El Paso common stock as of February 23, 2012 was $26.77 per share.

Because the exchange ratios were fixed at the time the merger agreement was executed and because the market value of Kinder Morgan Class P common stock and El Paso common stock/New El Paso common stock will fluctuate during the pendency of the transactions, New El Paso stockholders cannot be sure of the value of the merger consideration they elect to receive relative to the value of the shares of New El Paso common stock that they are exchanging. For example, for New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration, decreases in the market value of Kinder Morgan Class P common stock will negatively affect the value of the merger consideration that they receive, and increases in the market value of New El Paso common stock may mean that the merger consideration that they receive will be worth less than the market value of the shares of New El Paso common stock such stockholders are exchanging. See Risk Factors Risk Factors Relating to the Transactions Because the exchange ratios are fixed and because the market price of Kinder Morgan Class P common stock and El Paso common stock/New El Paso common stock will fluctuate, New El Paso stockholders receiving Kinder Morgan Class P common stock and/or warrants as part of the merger consideration cannot be sure of the market value of such merger consideration relative to the value of their shares of New El Paso common stock that they are exchanging. New El Paso stockholders are urged to obtain current market quotations for Kinder Morgan Class P common stock when they make their elections.

The value of the warrants is speculative because there is no existing trading market for them. Kinder Morgan and El Paso jointly agreed upon an assumed value of $0.96 for the Per Share Warrant Consideration for U.S. federal income tax purposes, which may not reflect the actual value of the Per Share Warrant Consideration. The agreed upon, assumed value of $0.96 for the Per Share Warrant Consideration is within the ranges of potential values calculated by Kinder Morgan s and El Paso s financial advisors. See Risk Factors Risk Factors Relating to the Transactions The value of the warrants that New El Paso stockholders will receive as part of the merger consideration is uncertain, and the warrants may have limited or no value.

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Set forth below is a diagram depicting the structure of the transactions described above.

The decision to structure the transactions as described and depicted above was made to avoid triggering provisions in certain contracts of El Paso and its subsidiaries, while at the same time preserving tax-free reorganization treatment with respect to the Kinder Morgan Class P common stock being issued in the transactions.

Each option or similar right to purchase shares of New El Paso common stock (other than an option to purchase New El Paso common stock granted under the El Paso ESPP, as converted in connection with the first merger) outstanding immediately prior to the effective time of the second merger (whether or not then vested or exercisable), by virtue of the occurrence of the consummation of the transactions and without any action on the part of any holder of any New El Paso stock option, will, immediately prior to the effective time of the second merger, be deemed exercised pursuant to a cashless exercise for that number of shares of New El Paso common stock (referred to as the net exercise shares ) equal to, rounded down to the nearest whole share, (1) the number of shares of New El Paso common stock subject to such New El Paso stock option immediately prior to the effective time of the second merger minus (2) the number of whole and partial (computed to the nearest four decimal places) shares of New El Paso common stock subject to such New El Paso stock option which, when multiplied by the fair market value (as such term is defined in the applicable plan governing such option to purchase shares of New El Paso common stock) of a share of New El Paso common stock as of immediately prior to the effective time of the second merger, is equal to the aggregate exercise price of such New El Paso stock option. Each net exercise share will be deemed to be an outstanding share of New El Paso common stock as provided for in the merger agreement. Each holder of net exercise shares, subject to the terms and conditions of the merger agreement and proration, will be permitted to make either a mixed election or cash election with respect to all (but not less than all) of the net exercise shares (and, to the extent applicable, New El Paso restricted shares, New El Paso performance RSUs and shares of New El Paso common stock deemed purchased through the El Paso ESPP) held by such holder. The holders of net exercise shares will not be permitted to make a stock election.

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Each award of restricted New El Paso common stock (as converted in connection with the first merger and referred to as a New El Paso restricted share ) that is outstanding immediately prior to the effective time of the second merger will, as of the effective time of the second merger, automatically and without any action on the part of the holder thereof, vest and the restrictions with respect thereto will lapse, and each New El Paso restricted share will, subject to the terms and conditions of the merger agreement, be treated as an outstanding share of New El Paso common stock as provided for in the merger agreement. Each holder of New El Paso restricted shares, subject to the terms and conditions of the merger agreement and proration, will be permitted to make either a mixed election or cash election with respect to all (but not less than all) of the New El Paso restricted shares (and, to the extent applicable, net exercise shares, New El Paso performance RSUs and shares of New El Paso common stock deemed purchased through the El Paso ESPP) held by such holder. The holders of New El Paso restricted shares will not be permitted to make a stock election.

Each New El Paso restricted stock unit that is subject to vesting based on the achievement of performance conditions (as converted in connection with the first merger and referred to as a New El Paso performance RSU ) that is outstanding immediately prior to the effective time of the second merger will, effective immediately prior to the effective time of the second merger, vest based on a target payout percentage of 100%, and the shares of New El Paso common stock deemed to be issued in settlement thereof will, subject to the terms and conditions of the merger agreement, be deemed to be outstanding shares of New El Paso common stock as provided for in the merger agreement. Each holder of New El Paso performance RSUs, subject to the terms and conditions of the merger agreement and proration, will be permitted to make either a mixed election or cash election with respect to all (but not less than all) of the New El Paso performance RSUs (and, to the extent applicable, net exercise shares, New El Paso restricted shares, and shares of New El Paso common stock deemed purchased through the El Paso ESPP) held by such holder. The holders of New El Paso performance RSUs will not be permitted to make a stock election.

The El Paso employee stock purchase plan (referred to as the El Paso ESPP ) will continue to be operated in accordance with its terms and past practice for the Offering Period (as defined in the El Paso ESPP) in effect as of October 16, 2011 (referred to as the Current Offering Period ) and any subsequent Offering Period that begins after October 16, 2011 pursuant to the terms and conditions of the El Paso ESPP. However, if the effective time of the second merger occurs prior to the end of the Current Offering Period or any such subsequent Offering Period, New El Paso will take all action as may be necessary to shorten the Current Offering Period or such subsequent Offering Period so that (1) the Change of Control Exercise Date (as defined in the El Paso ESPP) will occur prior to the effective time of the second merger (referred to as the Last Exercise Date ) and (2) the Current Offering Period or such subsequent Offering Period ends on the Last Exercise Date. New El Paso will, pursuant to, and in accordance with, the terms of the El Paso ESPP, notify each El Paso ESPP participant in writing at least ten Trading Days (as defined in the El Paso ESPP) prior to the Last Exercise Date, and by a date that is no later than the mailing date of the election form, that the last date during the Current Offering Period or such subsequent Offering Period on which a deemed purchase of shares of New El Paso common stock will occur has been changed to the Last Exercise Date and that his or her deemed purchase right will be exercised automatically on the Last Exercise Date, unless prior to such date, he or she has canceled his or her election to participate in the Current Offering Period, to the extent applicable. Each share of New El Paso common stock deemed to be purchased in connection with the treatment of options granted under the ESPP described above will be deemed to be an outstanding share of New El Paso common stock as provided for in the merger agreement. Each holder of shares of New El Paso common stock deemed to be purchased through the El Paso ESPP, subject to the terms and conditions of the merger agreement and proration, will be permitted to make either a mixed election or cash election with respect to all (but not less than all) of such shares (and, to the extent applicable, net exercise shares, New El Paso restricted shares, and New El Paso performance RSUs) held by such holder. The holders of shares of New El Paso common stock deemed to be purchased through the El Paso ESPP will not be permitted to make a stock election.

The holders of net exercise shares, New El Paso restricted shares, New El Paso performance RSUs and shares of New El Paso common stock purchased in respect of options, if any, outstanding under the El Paso

ESPP as of immediately prior to closing will not be permitted to make a stock election because the qualification of the second merger and the third merger, taken together, as a reorganization for U.S. federal income tax purposes depends on compliance with certain technical requirements, including whether holders of New El Paso s common stock will receive a sufficient amount of Kinder Morgan Class P common stock to satisfy the continuity of interest test set forth in the Treasury regulations promulgated under Section 368(a) of the Code. The continuity of interest test requires that, after the second merger, a substantial part of the value of the proprietary interests in New El Paso be maintained through ownership of Kinder Morgan Class P common stock. Kinder Morgan Class P common stock issued to holders of New El Paso common stock is taken into account in determining whether the continuity of interest test is satisfied. However, Kinder Morgan Class P common stock issued to holders of New El Paso restricted shares or with respect to New El Paso stock options, New El Paso performance RSUs and New El Paso ESPP options is not so taken into account. Therefore, if the holders of such equity awards are permitted to make a stock election, it is possible that an insufficient number of shares of Kinder Morgan Class P common stock would be available (based on the aggregate number of shares of Kinder Morgan Class P common stock that the parties had agreed would be issued as consideration in the transaction) for issuance to holders of New El Paso common stock to satisfy the continuity of interest test.

Upon the effective times of the first merger and the second merger, El Paso s 4¾% subordinated convertible debentures due 2028 (referred to as a debenture ) issued under the first supplemental indenture, dated March 17, 1998, between El Paso (as assigned from El Paso Natural Gas Company) and The Chase Manhattan Bank shall remain outstanding and be treated in accordance with their terms. In accordance with, and pursuant to, the terms of the first supplemental indenture, after the effective time of the second merger, each debenture will be entitled thereafter to be convertible (when and if converted at the option of such holder) into the merger consideration that a holder of New El Paso common stock making no election will otherwise be entitled to receive.

See New El Paso Stockholders Making Elections Proration and Adjustment Procedures for more information on how the proration procedures will work.

**Background of the Transactions**

The management and board of directors of El Paso continually review El Paso s results of operations as well as strategic and other options to create value for El Paso s stockholders. In connection with these reviews, El Paso from time to time has evaluated potential transactions that would further its strategic objectives. Similarly, El Paso s management periodically explores and evaluates, and discusses with El Paso s board of directors on a regular basis, the strategic alternatives available to El Paso, including strategic acquisitions and divestitures, mergers, mergers of equals and other business combinations.

Kinder Morgan regularly looks for opportunities with other entities in the midstream energy industry, including joint ventures, mergers or acquisitions. During the five years prior to September 2010, Kinder Morgan and El Paso had not had any discussions regarding a potential merger, nor had Kinder Morgan made any offer to acquire El Paso. In September 2010, Kinder Morgan approached El Paso about a possible combination of the two companies at an indicated value of $16.50 per El Paso share, but El Paso expressed no interest in pursuing such transaction. In determining not to pursue the transaction with Kinder Morgan as proposed in September 2010, El Paso s board of directors did not find that the value and form of consideration offered by Kinder Morgan warranted further discussion.

Beginning in early 2011, the discussions between El Paso s senior management and El Paso s board of directors focused on, among other things, the proposed separation of El Paso s exploration and production business from its pipeline business (referred to as the spin-off ) and the opportunities that could be available to the two businesses as independent public companies.

In February 2011, Kinder Morgan completed its initial public offering, which was unrelated to the transactions.

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From March 29, 2011 through March 31, 2011, the El Paso board of directors met with management and representatives from Morgan Stanley and Goldman, Sachs & Co. (referred to as Goldman Sachs ). On March 29, 2011, a representative from Morgan Stanley presented an overview of recently announced spin-off transactions, their performance and the market s reactions to the announcements. On March 30, 2011 representatives from Goldman Sachs presented financial analyses of a potential separation of El Paso s pipeline and exploration and production businesses, including analyses regarding whether El Paso s pipeline and exploration and production businesses have greater capacity to create value together or apart, and whether investors would more highly value the businesses as independent entities. Later that day, the board of directors of El Paso and management met and discussed the presentation, including the separation analysis presented by the representatives from Goldman Sachs. Subsequent to such meeting, Goldman Sachs was retained as a financial advisor to El Paso in connection with a potential spin-off of its exploration and production business.

On May 17, 2011, the El Paso board of directors met with management and representatives of Goldman Sachs, El Paso s financial advisor in connection with the potential spin-off, and Wachtell, Lipton, Rosen & Katz (referred to as Wachtell Lipton ), counsel to El Paso and its board of directors. At the meeting, representatives from Goldman Sachs presented revised financial analyses of a potential separation of El Paso s pipeline and exploration and production businesses, including analyses regarding whether El Paso s two businesses have greater capacity to create value together or apart and whether investors would more highly value the businesses as independent entities. The financial analyses related to a potential spin-off included a range of hypothetical trading prices for the exploration and production business as a standalone entity of $7.51 to $10.12 per share based on trading multiples of selected exploration and production companies and a range of hypothetical trading prices for the pipeline business as a standalone entity of $10.55 to $15.78 per share based on trading yields of selected pipeline companies or $6.63 to $11.86 per share based on trading multiples of selected pipeline companies, resulting in ranges of aggregate hypothetical trading prices of $18.06 to $25.90 per share and $14.14 to $21.98 per share, respectively. These financial analyses were based on forecasts for El Paso s exploration and production business and pipeline business provided by El Paso management and forecasts from Wall Street research for the selected exploration and production and pipeline companies utilized in the analysis. The board of directors, management and representatives from Goldman Sachs and Wachtell Lipton then discussed feedback from El Paso s stockholders, potential mergers and acquisitions activity for the two independent companies and execution risks for a proposed separation. The board of directors of El Paso also discussed the potential for an initial public offering for the exploration and production business prior to a full spin-off.

On May 24, 2011 the El Paso board of directors resolved that El Paso should proceed with the proposed spin-off, and on that date El Paso publicly announced that it was considering a possible spin-off of its exploration and production business.

It was anticipated that the proposed spin-off would provide for a distribution by El Paso to its stockholders of all of the stock of EP Energy Corporation, following which El Paso and EP Energy Corporation would be two separate public companies. In connection with the spin-off, it was anticipated that EP Energy Corporation would generally own the assets and assume the liabilities of El Paso s exploration and production business while El Paso would generally retain the assets and liabilities of El Paso s pipeline and midstream businesses. In connection with the spin-off, it was also anticipated that EP Energy Corporation would issue approximately $2.0 to $2.25 billion in new debt securities and would use the proceeds to (1) repay certain outstanding intercompany debt owed to El Paso, which at June 30, 2011 was $636 million, (2) repay EP Energy Corporation s outstanding debt under its existing revolving line of credit, which at June 30, 2011 was $400 million and (3) make a cash distribution of approximately $1.2 billion to El Paso.

On June 24, 2011, at the request of Evercore, members of Kinder Morgan senior management met with Evercore in order to hear Evercore s ideas regarding a possible transaction between Kinder Morgan and El Paso.

On June 30, 2011, El Paso filed a request for a ruling under Section 355 of the Code with the IRS in connection with the proposed spin-off.

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On July 13, 2011 and July 14, 2011, the El Paso board of directors met with management to discuss ongoing developments with respect to the proposed spin-off, including the expectation of receiving a ruling from the IRS by the end of October, the expected filing of a registration statement on Form 10 by EP Energy Corporation (referred to as the Form 10 ), the expectation that the SEC would clear the Form 10 by November and that the marketing of the proposed debt to be incurred by EP Energy Corporation would occur around that time.

During July and August 2011, representatives of Kinder Morgan, Evercore and Bracewell & Giuliani LLP, counsel to Kinder Morgan and its board (referred to as Bracewell ), continued to analyze, based on publicly available information, and to discuss, a possible transaction with El Paso.

On August 11, 2011, EP Energy Corporation filed a registration statement on Form 10 with the SEC in connection with the proposed spin-off.

On August 26, 2011, the Kinder Morgan board of directors discussed with management and representatives of Evercore the possibility of making an offer to acquire El Paso. The Kinder Morgan directors expressed their support for management delivering a letter to El Paso setting forth Kinder Morgan s offer to acquire El Paso for a purchase price of $25.50 per share on the terms described below. The Kinder Morgan directors determination to support the offer at such per share price was based on the anticipated dividend per share accretion to Kinder Morgan stockholders, anticipated debt ratios, certain assumptions (including with respect to the value of El Paso s exploration and production business and the size of El Paso s net operating loss carry forwards), and an assessment of negotiation strategy. The Kinder Morgan board of directors also considered a number of risks associated with the transaction, including with respect to commodity prices, the sale of El Paso s exploration and production business, financing of the transactions, financing on the part of KMP and EPB for potential drop-downs of assets and regulatory approval. Throughout the entire course of the negotiations, Kinder Morgan continually assessed the potential transaction based on the foregoing factors. The two representatives of Goldman Sachs on the board of directors of Kinder Morgan (the Goldman Directors ), who had joined the board of directors in May 2007 in connection with the Going Private Transaction, did not attend the discussion, though on August 25, 2011 they did receive the materials prepared by management for the discussion. Neither of the Goldman Directors was aware of the proposed transaction with El Paso prior to August 25, 2011. Neither of the Goldman Directors had any involvement with Kinder Morgan s September 2010 offer or any prior discussions with El Paso regarding a potential merger. One of the Goldman Directors called Mr. Richard D. Kinder, the Chairman and CEO of Kinder Morgan, after receiving the materials and informed Mr. Kinder that Goldman Sachs was advising El Paso in connection with its proposed spin-off and that, as a result, the Goldman Directors would not be participating in the board of directors discussion.

On August 28, 2011, one of the Goldman Directors informed Kinder Morgan s general counsel that the Goldman Directors would recuse themselves from all subsequent Kinder Morgan board of directors discussions and meetings to the extent relating to the possible acquisition of El Paso and that the Goldman Directors should not receive any materials distributed to the Kinder Morgan board of directors to the extent relating to such possible acquisition. Thereafter, the Goldman Directors did not participate in any Kinder Morgan board of directors discussions or meetings relating to, and had no involvement in Kinder Morgan s consideration of, the possible acquisition of El Paso and, except as otherwise indicated below, were not sent any board meeting materials relating to the possible acquisition of El Paso.

On August 30, 2011, Mr. Kinder delivered a letter to Mr. Douglas L. Foshee, the Chairman, President and CEO of El Paso, addressed to the board of directors of El Paso setting forth a proposal to acquire El Paso. The proposed terms indicated a purchase price of $25.50 per share, payable 60% in cash and 40% in stock of Kinder Morgan. The amounts of the stock and cash components of this offer were determined with reference to desired dividend accretion to Kinder Morgan stockholders, the resulting debt ratios and a desire to make the stock component tax free to El Paso stockholders. For a discussion of the material U.S. federal income tax consequences of the transactions to El Paso stockholders, see Material U.S. Federal Income Tax Consequences of the Transactions. The proposed consideration represented a premium of approximately 34.8%

over El Paso s closing share price of $18.91 on August 29, 2011. The letter noted that the offer was based solely on publicly available information and that, as part of a private negotiation, Kinder Morgan would conduct due diligence and provide El Paso the opportunity to conduct due diligence with respect to Kinder Morgan. The letter also noted that the proposal was not subject to any financing contingency, that Kinder Morgan was confident that it would receive all required regulatory approvals and that Kinder Morgan was willing to enter into appropriate contractual provisions reflecting its commitment to completing the transaction. The letter also noted the expectation that Kinder Morgan would retain a number of El Paso s executives in important roles within the combined company.

On August 31, 2011, the management of El Paso, together with representatives of Goldman Sachs, updated the members of the board of directors with regard to the proposal received from Kinder Morgan and management s proposed steps in response to the proposal, including preparation of a financial analysis of the proposal and El Paso s alternatives, and the need to retain another financial advisor (other than Goldman Sachs) in connection with Kinder Morgan s proposal.

Between August 31, 2011 and September 5, 2011, El Paso management met with Morgan Stanley and Morgan Stanley was retained as a financial advisor to El Paso in connection with Kinder Morgan s proposal, subject to approval of the board of directors of El Paso. Morgan Stanley entered into an agreement with respect to such engagement on October 6, 2011. For El Paso s arrangement with Morgan Stanley, see Opinion of El Paso s Financial Advisor. El Paso also engaged Goldman Sachs in connection with the possible sale of El Paso, including to Kinder Morgan, and in this regard Goldman Sachs specifically agreed to review and analyze El Paso s business plan in connection with the proposed spin-off for purposes of aiding El Paso in its analysis of the Kinder Morgan transaction and entered into an agreement with respect to such engagement on October 6, 2011. In that engagement letter, El Paso agreed to pay Goldman Sachs a fee of $20 million upon completion of a transaction with Kinder Morgan. For a description of El Paso s arrangement with Goldman Sachs, see the section entitled El Paso s Engagement of Goldman Sachs.

On September 5, 2011, the El Paso board of directors met with management and representatives of Morgan Stanley, Goldman Sachs and Wachtell Lipton. Prior to the meeting, in light of Goldman Sachs ownership interest in Kinder Morgan and recognizing that El Paso would be sharing confidential information relating to the valuation of El Paso with Goldman Sachs prior to the meeting and potentially discussing valuation matters at the meeting, a representative of Goldman Sachs was advised by a representative of El Paso that any such information shared with Goldman Sachs prior to, at or after the meeting, must be kept within the Goldman Sachs team involved in the El Paso representation and could not be shared with Kinder Morgan, Goldman Sachs personnel involved in the management of Goldman Sachs investment in Kinder Morgan, or with any other Goldman Sachs personnel not involved in the El Paso representation. As of the date of this information statement/proxy statement/prospectus, to the best of El Paso s and Kinder Morgan s knowledge, this confidentiality obligation was maintained throughout the course of the discussions between Kinder Morgan and El Paso. For a further discussion of confidentiality obligations of Goldman Sachs, see El Paso s Engagement of Goldman Sachs. At the meeting, Kinder Morgan s proposal was discussed, as were possible different approaches to respond to Kinder Morgan, including, among others, whether to allow Kinder Morgan to conduct due diligence based on its proposal but noting to Kinder Morgan that El Paso would require a higher price, whether to propose a specific higher price or whether to communicate that the offer was not compelling enough to engage. Discussion ensued on how to communicate to Kinder Morgan that El Paso would be willing to complete a transaction at a price higher than the proposal. In addition, there was discussion as to other third parties, including domestic and international energy industry participants, that could be interested and able to proceed with a transaction with El Paso as well as the likely reaction of El Paso s stockholders to a transaction with Kinder Morgan. Following the discussion, the El Paso board of directors authorized management to notify Kinder Morgan that its proposal of August 30, 2011 was not compelling enough to proceed with a transaction as it was expected that such a response would lead to a higher offer from Kinder Morgan. In addition, the board directed management to continue to proceed with the proposed spin-off. Following the departure of Morgan Stanley and Goldman Sachs, the board of directors was provided with further details about, and discussed, Goldman Sachs relationship with and

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approximately 19 percent ownership interest in Kinder Morgan. Being aware of Goldman Sachs ownership interest in Kinder Morgan and the related potential conflicts of interest, the board determined to engage a financial advisor other than Goldman Sachs in connection with the Kinder Morgan proposal and engaged Morgan Stanley for that purpose. The board s decision to engage Morgan Stanley was based on Morgan Stanley s qualifications, expertise, reputation, independence and prior work with El Paso. The board also retained Morgan Stanley to provide it with a fairness opinion in connection with the potential acquisition of El Paso by Kinder Morgan, and subsequent to this meeting, in conducting its financial analyses and presenting those analyses to El Paso s board of directors, Morgan Stanley worked independently of Goldman Sachs. At this meeting, the board also determined that it was still beneficial for the time being to continue to receive valuation advice from Goldman Sachs so that the El Paso board of directors could be in the best position to compare all alternatives, specifically including the proposed spin-off transaction and related matters.

Also on September 5, 2011, following the meeting of the board of directors of El Paso, Mr. Foshee met with Mr. Kinder to discuss Kinder Morgan s proposal, and Mr. Foshee provided Mr. Kinder with a response letter on behalf of the board of directors of El Paso. El Paso s response letter noted that Kinder Morgan s proposal of August 30, 2011 was not compelling as it significantly undervalued El Paso and its prospects as it separates into two independent publicly traded companies. The letter also noted that El Paso s board of directors and management team are committed to creating value for El Paso s stockholders.

Between September 5, 2011 and September 8, 2011, management of Kinder Morgan had a series of discussions with representatives of Evercore and Weil, Gotshal & Manges LLP, counsel to Kinder Morgan and its board of directors (referred to as Weil ), to discuss potential responses to the El Paso letter. On September 8, 2011, representatives of Kinder Morgan began discussions with Barclays Capital with respect to the potential transaction involving El Paso.

On September 9, 2011, the Kinder Morgan board of directors held a discussion with management, Evercore and Barclays Capital to receive an update on the status of discussions between Messrs. Kinder and Foshee and to discuss possible responses to the letter received from El Paso on September 5, 2011. The members of the Kinder Morgan board of directors who participated in the discussion expressed their support for sending a letter to El Paso that would indicate that Kinder Morgan would expect to release its offer to El Paso s stockholders and the public should El Paso again reject its proposal.

On September 9, 2011, Mr. Kinder sent a response letter to Mr. Foshee noting Kinder Morgan s disappointment with El Paso s rejection of its August 30, 2011 offer but noting that Kinder Morgan would consider improving its offer if permitted to conduct limited due diligence. The letter noted Kinder Morgan s belief that given that El Paso had previously outlined the potential advantages of the proposed spin-off in public filings, El Paso s then-current share price (which was $18.69, based on the closing price on September 8, 2011) reflected the market s view of that strategy. The letter also noted that, should El Paso s board of directors reject its proposal even with the additional potential price flexibility, Kinder Morgan would expect to release its $25.50 per share proposal to El Paso s stockholders and to the public.

In the period between September 5 and September 12, 2011, representatives of Morgan Stanley and Goldman Sachs met with members of El Paso s management to discuss El Paso s operations and forecasts. Following the receipt of Kinder Morgan s September 9th letter, the letter was shared with representatives of Morgan Stanley and Goldman Sachs and members of management had discussions with representatives of Morgan Stanley and Goldman Sachs regarding potential responses to Kinder Morgan and Kinder Morgan s threat to make its proposal public. In the course of discussing how to respond to Kinder Morgan s September 9th letter (which indicated that Kinder Morgan expected to publicly release its proposal to El Paso s stockholders), El Paso management became concerned, in light of the some of the advice received from the Goldman Sachs investment banking team in Houston, that the Goldman Sachs investment bankers were receiving pressure from other parts of Goldman Sachs to avoid a strategy that might result in Kinder Morgan going public with its proposal and employing a hostile approach to acquiring El Paso. As a result, El Paso management decided to limit Goldman

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Sachs role to providing valuation advice on El Paso s spin off and determined that Goldman Sachs thereafter would not be providing tactical advice in response to the Kinder Morgan proposal or have involvement in negotiations with Kinder Morgan. After September 12, 2011, El Paso s board and management relied only on Morgan Stanley for tactical advice in connection with the Kinder Morgan proposal and informed Goldman Sachs that, despite Goldman Sachs long-term role in providing financial advisory services to El Paso, going forward El Paso would not involve Goldman Sachs in any negotiations with Kinder Morgan nor would El Paso be requesting any tactical advice from Goldman Sachs or a fairness opinion from Goldman Sachs in connection with the Kinder Morgan transaction. Management s decision to limit Goldman Sachs role as described above was later confirmed by the El Paso board of directors at its first meeting following receipt of Kinder Morgan s September 9th letter. Goldman Sachs acted in accordance with such limited role after September 12, 2011, although the engagement letter between Goldman Sachs and El Paso was not executed until October 6, 2011.

Between September 9, 2011 and September 15, 2011, management of Kinder Morgan had a number of discussions with Evercore, Barclays Capital and Weil regarding the potential public announcement of Kinder Morgan s offer for El Paso and other potential steps that the board of directors of Kinder Morgan might consider if El Paso continued to reject Kinder Morgan s offer.

On September 15, 2011, the El Paso board of directors met with management and its legal and financial advisors. At the meeting, before the financial advisors were present, Wachtell Lipton discussed with the board the legal framework relevant to consideration of Kinder Morgan s letter. Discussion then ensued about Goldman Sachs ownership interest in Kinder Morgan and its role advising El Paso. While the board continued to believe that it was beneficial to continue to receive valuation advice from Goldman Sachs in connection with the proposed spin-off transaction, because of the potential conflict of interest of Goldman Sachs, the board determined that Goldman Sachs was not to be involved in any negotiations with Kinder Morgan or any tactical discussions with management or the board with respect to the Kinder Morgan proposal or how to respond to Kinder Morgan or any discussions with management or the board regarding the price or proposal that El Paso would be willing to entertain and that El Paso would not be requesting a fairness opinion from Goldman Sachs.

Following such time, Goldman Sachs joined the meeting, provided a description of Kinder Morgan s proposal and presented an overview of premiums paid in selected precedent transactions (noting that there were not a lot of precedent transactions in the energy industry of comparable size). Goldman Sachs then presented the results of (1) certain financial analyses in connection with Kinder Morgan s proposal and (2) revised financial analyses for hypothetical trading prices relating to a potential spin-off of El Paso s exploration and production businesses. As described below in more detail, the analyses in connection with Kinder Morgan s proposal resulted in a combined range of illustrative values for El Paso of $19.90 to $33.16 and $20.92 to $33.26, and a representative of Goldman Sachs indicated that the midpoints of the analyses were in the range of approximately $25.00 to $27.00 per share. As described below in more detail, the revised financial analyses of hypothetical trading prices relating to a potential spin-off resulted in an aggregate hypothetical trading range of $18.04 to $25.53 per share. The financial analyses performed with respect to El Paso s exploration and production business in connection with Kinder Morgan s proposal included an illustrative analysis of the present value of future stock prices as well as an illustrative unlevered discounted cash flow analysis.

The illustrative present value of future stock price analysis presented by Goldman Sachs discounted a hypothetical range of terminal equity values per share at an illustrative range of estimated cost of equity of 12.0% to 14.0%. The hypothetical terminal equity values per share were estimated using two methodologies:

One methodology applied an illustrative range of enterprise value to EBITDA multiples of 4.5x to 6.5x as applied to estimated EBITDA for 2015 as provided by management of El Paso, subtracting future net debt and dividing by future fully diluted shares. This analysis resulted in a range of illustrative values of $8.03 to $13.21 per share for the exploration and production business (referred to as the Exploration EV / EBITDA Present Value Analysis ).

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- The other methodology applied and an illustrative range of equity price to cash flow multiples of 3.5x to 5.5x as applied to estimated cash flows for 2015 per diluted share as provided by management of El Paso. This analysis resulted in a range of illustrative values of $7.07 to $11.71 per share for the exploration and production business (referred to as the Exploration P / CFPS Present Value Analysis ).

The illustrative unlevered discounted cash flow analysis presented by Goldman Sachs discounted a hypothetical range of terminal enterprise values and estimated interim asset cash flows (pre interest costs and after tax) as estimated by management of El Paso at an illustrative range of estimated weighted average cost of capital of 10.0% to 12.0%. The hypothetical terminal enterprise values were estimated using an illustrative range of enterprise value to EBITDA multiples of 4.5x to 6.5x as applied to estimated EBITDA for 2015 as provided by management of El Paso. Net debt was subtracted from the discounted value and the resulting discounted equity value was divided by the fully diluted share count. This analysis resulted in a range of illustrative values of $8.02 to $13.66 per share for the exploration and production business.

The financial analyses presented by Goldman Sachs with respect to El Paso s pipeline business included an illustrative analysis of the present value of future stock prices as well as an illustrative levered discounted cash flow analysis.

The illustrative present value of future stock price analysis presented by Goldman Sachs discounted a hypothetical range of terminal equity values per share and interim dividends per share at an illustrative range of estimated cost of equity of 8.5% to 10.5%. The hypothetical terminal equity values per share were estimated using an illustrative range of current yields of 5.0% to 3.0% as applied to the estimated dividend per share paid in 2015 as provided by management of El Paso. This analysis resulted in a range of illustrative values of $12.35 to $20.70 per share.

The illustrative levered discounted cash flow analysis presented by Goldman Sachs discounted a hypothetical range of terminal equity values and estimated interim equity cash flows as estimated by El Paso management at an illustrative range of estimated cost of equity of 8.5% to 10.5%. The result was divided by the fully diluted share count. The hypothetical terminal equity values were estimated using two methodologies:

- One methodology applied an illustrative range of current yields of 5.0% to 3.0% as applied to estimated cash available for dividends in 2015 (as normalized for cash taxes and coverage ratio) as estimated by management of El Paso. This analysis resulted in a range of illustrative values of $13.13 to $21.26 per share (referred to as the Pipeline Yield DCF Analysis ).

- The other methodology calculated an illustrative range of future net asset values for the pipeline business based on estimates provided by management of El Paso. This analysis resulted in a range of illustrative values of $12.66 to $17.93 per share (referred to as the Pipeline Future NAV DCF Analysis ).

A representative of Goldman Sachs then presented a combined analysis of the exploration and production business and pipeline business which provided a range of per share illustrative values applying each of the present value of future stock price analyses and discounted cash flow analyses. The combined present value of future stock price range of illustrative values was derived by taking the sum of the range of illustrative values based on the present value of future stock price for the pipeline business and adding that to the average of the ranges derived from the Exploration EV / EBITDA Present Value Analysis and the Exploration P / CFPS Present Value Analysis, which resulted in a combined range of illustrative values of $19.90 to $33.16 per share.

The combined discounted cash flow analysis range of illustrative values presented by Goldman Sachs was derived by taking the sum of the range of illustrative values based on the unlevered discounted cash flow for the exploration and production business and adding that to the average of the illustrative ranges derived from the Pipeline Yield DCF Analysis and Pipeline Future NAV DCF Analysis, which resulted in a combined range of illustrative values of $20.92 to $33.26 per share.

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A representative of Goldman Sachs noted that the midpoints of the illustrative combined present value of future stock price analyses and combined discounted cash flow analyses were in the range of approximately $25.00 to $27.00 per El Paso share.

The revised financial analyses relating to a potential spin-off presented by Goldman Sachs included a range of hypothetical trading prices for the exploration and production business as a standalone entity of $6.13 to $8.66 per share based on trading multiples of selected exploration and production companies and a range of hypothetical trading prices for the pipeline business as a standalone entity of $11.92 to $16.87 per share based on trading yields of selected pipeline companies, resulting in an aggregate hypothetical trading range of $18.04 to $25.53 per share.

These financial analyses presented by Goldman Sachs were based on forecasts for El Paso s exploration and production business and pipeline business that assumed a spin-off of the exploration and production business on December 31, 2011 as provided by El Paso management and forecasts from Wall Street research for the selected exploration and production and pipeline companies utilized in the analyses. Goldman Sachs indicated that the lower hypothetical trading prices for El Paso s exploration and production business relative to Goldman Sachs prior similar analysis resulted primarily from applying lower trading multiples given market conditions and the trading multiples of the selected exploration and production companies utilized in the analysis.

Following its presentation, Goldman Sachs left the meeting and Morgan Stanley entered the meeting and presented its analysis of the proposal from Kinder Morgan which analysis included a Historical Share Price Analysis, an Equity Research Future Price Targets Analysis, a Comparable Company Sum-of-the-Parts Analysis, a Discounted Future Equity Value Analysis, a Discounted Cash Flow Analysis, and a Precedent Transaction Analysis. Several of these analyses included segment-level valuation ranges as follows. The comparable company sum-of-the-parts analysis included a range of implied public trading values for the exploration and production business of $5.50 to $8.55 per share and a range of implied public trading values for the pipeline business of $11.28 to $14.82 per share, resulting in an aggregate range of implied public trading values of $16.78 to $23.37 per share. The discounted future equity value analysis based on estimates of El Paso management included an implied value range for the exploration and production business of $6.24 to $10.70 per share and an implied value range for the pipeline business of $11.79 to $15.47 per share, resulting in an aggregate implied value range of $18.03 to $26.18 per share. The discounted future equity value analysis based on estimates of equity research analysts included an implied value range for the exploration and production business of $5.92 to $8.12 per share and an implied value range for the pipeline business of $12.50 to $15.82 per share, resulting in an aggregate implied value range of $18.42 to $23.95 per share. The aggregated discounted cash flow analysis based on estimates of El Paso management included a range of implied present values for the exploration and production business of $8.87 to $11.83 per share and a range of implied present values for the pipeline business of $12.92 to $18.23 per share (using an aggregated approach), as well as a range of implied present values for El Paso s net operating loss carry forwards of $1.11 to $1.16 per share, resulting in an aggregate range of implied present values of $22.90 to $31.22 per share. The disaggregated discounted cash flow analysis based on estimates of El Paso management included a range of implied present values for the exploration and production business of $8.87 to $11.83 per share and a range of implied present values for the pipeline business of $12.54 to $16.64 per share (using a disaggregated approach), as well as a range of implied present values for El Paso s net operating loss carry forwards of $1.11 to $1.16 per share, resulting in an aggregate range of implied present values of $22.52 to $29.63 per share. At such time, a discussion ensued between the directors, management, and representatives of Morgan Stanley and Wachtell Lipton on how to respond to Kinder Morgan. In addition, there was discussion as to the advantages and disadvantages of publicly disclosing Kinder Morgan s proposal or engaging with third parties on a transaction and whether that could result in greater value for El Paso stockholders. It was determined that because it was unlikely that a third party would emerge from taking such actions, given market conditions and the size of the transaction, and because the board was resolved that any transaction agreed with Kinder Morgan would include only such protective provisions as were consistent with the ability of a capable bidder to successfully top the price term of a Kinder Morgan agreement, no third parties would be contacted. Management then provided an update to the board of directors on the status of the proposed spin-off. Following the discussion, the El Paso board of directors authorized Mr. Foshee to notify Kinder Morgan that its proposal of September 9, 2011 was not compelling but that El Paso would be willing to pursue a transaction with Kinder Morgan at a value of $28.00 per share in cash and stock of Kinder Morgan. The board of directors of El Paso was informed of the payments that Mr. Foshee would receive should a transaction with Kinder Morgan be completed (see Interests of Certain Persons in the Transactions El Paso Executive Officers and Directors Quantification of Change of Control and Termination Payments and Benefits to the El Paso Named Executive Officers for a discussion of the change of control and termination related payments and benefits Mr. Foshee would receive in connection with the transactions, based on certain assumptions stated therein, and see Security Ownership of a Certain Beneficial Owner and Management in El Paso s Proxy Statement on Schedule 14A filed on March 29, 2011, for information regarding beneficial ownership of El Paso common stock by Mr. Foshee as of March 11, 2011) and was of the view that this would not affect his negotiations with Mr. Kinder. In addition, Mr. Foshee and the board of directors of El Paso understood that any merger agreement with Kinder Morgan would require the approval of the board of directors of El Paso. The El Paso board of directors also directed management to continue the process to effectuate the proposed spin-off so that El Paso would be in a position to timely execute the spin-off should a transaction with Kinder Morgan on terms acceptable to the El Paso board of directors not materialize.

On September 16, 2011, Mr. Foshee met with Mr. Kinder and provided Mr. Kinder with a response letter on behalf of the board of directors of El Paso. The letter noted that the El Paso board of directors would not support any proposal that would transfer the value and potential that belongs to El Paso s stockholders to Kinder Morgan at an inadequate price. The letter further noted that the board of directors of El Paso would be willing to pursue a transaction with Kinder Morgan at a value of $28.00 per share in cash and Kinder Morgan stock so long as it provides certainty of completion and El Paso is satisfied with its review of the value to El Paso s stockholders of the Kinder Morgan stock component of the potential transaction. The letter also noted that El Paso s board and management team are committed to creating value for El Paso stockholders and that they continue to believe that the separation of their exploration and production business is the right strategy for El Paso, absent a transaction that delivers compelling value to El Paso s stockholders.

On September 16, 2011 and September 17, 2011, Mr. Foshee had two separate conversations with Mr. Kinder. During these conversations, Mr. Kinder indicated to Mr. Foshee that Kinder Morgan would be willing to consider a transaction at a price of $26.50 per share in cash and Kinder Morgan stock and that it might be willing to raise its price subject to completion of due diligence. The willingness to consider a price higher than $26.50 was based on the continued analysis of anticipated dividend per share accretion to Kinder Morgan stockholders, anticipated debt ratios, certain assumptions (including with respect to the value of El Paso s exploration and production business and the size of El Paso s net operating loss carry forwards for U.S. federal income tax purposes), and an assessment of negotiation strategy. In this regard, the Kinder Morgan board of directors also considered a number of risks associated with the transaction, including with respect to commodity prices, the sale of El Paso s exploration and production business, financing of the transactions, financing on the part of KMP and EPB for potential dropdowns of assets and regulatory approval. Mr. Foshee told Mr. Kinder that he believed there were a number of factors that should provide a basis for Kinder Morgan to increase its offer, including the fact that the amount of El Paso s net operating loss carryforwards for U.S. federal income tax purposes would likely be greater than Kinder Morgan had previously assumed. Mr. Foshee indicated that El Paso might consider a slightly lower price and that $27.80 per share might be acceptable. On September 16 and 17, 2011, Kinder Morgan management had a number of conversations with Evercore, Barclays Capital, Bracewell and Weil regarding the terms of the potential acquisition of El Paso and the process for completing a merger agreement.

On September 18, 2011, the Kinder Morgan board of directors held a discussion with management and representatives of Evercore, Barclays Capital and Weil to receive an update on the status of negotiations between Kinder Morgan and El Paso. The members of the Kinder Morgan board of directors indicated their support for Kinder Morgan management to continue discussions with El Paso regarding a possible transaction at a price higher than $26.50 per El Paso share.

1.6
%

$
(2,994
)

(16.0
)%
As a % of Direct Revenue

5.2
%

4.7
%

5.6
%

0.5
%

(0.9
)%
Kleen Performance Products selling, general and administrative expenses remained consistent for the year ended December 31, 2015 as compared to 2014.
Selling, general and administrative expenses for the year ended December 31, 2014 decreased 16.0%, or $3.0 million, from the comparable period in 2013 primarily due to cost saving initiatives of approximately $2.7 million across various expense categories and lower integration related professional fees of approximately $0.6 million.
SK Environmental Services

| | For the years ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| SG&A | $104,127 | $109,473 | $108,248 | $(5,346) | (4.9)% | $1,225 | 1.1% |
| As a % of Direct Revenue | 16.4% | 14.6% | 14.0% | | 1.8% | | 0.6% |

SK Environmental selling, general and administrative expenses for the year ended December 31, 2015 decreased 4.9%, or $5.3 million, from the comparable period in 2014 primarily due to decreases in marketing costs of $4.3 million and professional fees of $2.3 million. As a percentage of direct revenues, costs increased primarily due to the fact that the segment's direct revenues decreased as intersegment revenues from used oil sales were significantly reduced.
Selling, general and administrative expenses for the year ended December 31, 2014 increased 1.1%, or $1.2 million, from the comparable period in 2013 primarily due to an increase in variable compensation of approximately $4.7 million and marketing expenses of approximately $2.1 million partially offset by cost saving initiatives of approximately $6.6 million across various expense categories.
Lodging Services

| | For the years ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| SG&A | $4,904 | $5,228 | $4,768 | $(324) | (6.2)% | $460 | 9.6% |
| As a % of Direct Revenue | 5.3% | 3.0% | 2.2% | | 2.3% | | 0.8% |

Lodging Services selling, general and administrative expenses remained consistent over the year ended December 31, 2015 from the comparable period in 2014. As a percentage of direct revenues selling, general and administrative expense increased 2.3% in the year ended December 31, 2015 from the comparable period in 2014 as certain fixed costs incurred in the operations of our camps and lodges could not be reduced proportionate to the pricing declines seen in the business.

Selling, general and administrative expenses remained consistent for the year ended December 31, 2014 from the comparable period in 2013.

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Oil and Gas Field Services

| | For the years ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| SG&A | $21,767 | $23,514 | $26,991 | $(1,747) | (7.4)% | $(3,477) | (12.9)% |
| As a % of Direct Revenue | 12.0% | 7.6% | 6.9% | | 4.4% | | 0.7% |

Oil and Gas Field Services selling, general and administrative expenses for the year ended December 31, 2015 decreased 7.4%, or $1.7 million, from the comparable period in 2014 primarily due to decreases in salaries and benefits costs of $3.1 million partially offset by increased legal costs of $1.4 million. As a percentage of direct revenues selling, general and administrative expense increased 4.4% in the year ended December 31, 2015 from the comparable period in 2014 primarily because certain fixed costs incurred could not be reduced proportionate to the overall lower business activity.

Selling, general and administrative expenses for the year ended December 31, 2014 decreased 12.9%, or $3.5 million, from the comparable period in 2013 primarily due to decreases in labor related costs of $1.2 million and an additional $2.3 million decrease across various expense categories as a result of our cost saving initiatives.

Corporate Items

| | For the years ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| SG&A | $129,659 | $146,197 | $175,662 | $(16,538) | (11.3)% | $(29,465) | (16.8)% |

Corporate Items selling, general and administrative expenses for the year ended December 31, 2015 decreased 11.3%, or $16.5 million, from the comparable period in 2014 primarily due to decreases in variable compensation and related payroll taxes of $11.7 million and labor and benefit related costs of $3.0 million.

Selling, general and administrative expenses for the year ended December 31, 2014 decreased 16.8%, or $29.5 million, from the comparable period in 2013 primarily due to cost saving initiatives resulting in lower salaries and benefits expense of approximately $4.0 million, lower professional fees of approximately $14.7 million related primarily to acquisition and system integration related costs that did not reoccur in 2014 and a decrease of approximately $5.4 million of insurance related costs resulting from improved claims experience and integration synergies.

Adjusted EBITDA

Management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or other measurements under generally accepted accounting principles ("GAAP"). Adjusted EBITDA is not calculated identically by all companies and, therefore our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

We use Adjusted EBITDA to enhance our understanding of our operating performance, which represents our views concerning our performance in the ordinary, ongoing and customary course of our operations. We historically have found it helpful, and believe that investors have found it helpful, to consider an operating measure that excludes certain expenses relating to transactions not reflective of our core operations.

The information about our operating performance provided by this financial measure is used by our management for a variety of purposes. We regularly communicate Adjusted EBITDA results to our lenders and to our board of directors and discuss with the board our interpretation of such results. We also compare our Adjusted EBITDA performance against internal targets as a key factor in determining cash bonus compensation for executives and other employees, largely because we believe that this measure is indicative of how the fundamental business is performing and is being managed.

We also provide information relating to our Adjusted EBITDA so that analysts, investors and other interested persons have the same data that we use to assess our core operating performance. We believe that Adjusted EBITDA should be viewed only as a supplement to the GAAP financial information. We also believe, however, that providing this information in addition to, and together with, GAAP financial information permits the foregoing persons to obtain a better understanding of our core operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance on a standalone and a comparative basis.

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The following is a reconciliation of net income to Adjusted EBITDA for the following periods (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income (loss) | $44,102 | $(28,328) | $95,566 |
| Accretion of environmental liabilities | 10,402 | 10,612 | 11,541 |
| Depreciation and amortization | 274,194 | 276,083 | 264,449 |
| Goodwill impairment charge | 31,992 | 123,414 | — |
| Other expense (income) | 1,380 | (4,380) | (1,705) |
| Interest expense, net | 76,553 | 77,668 | 78,376 |
| Pre-tax, non-cash acquisition accounting inventory adjustments | — | — | 13,559 |
| Provision for income taxes | 65,544 | 66,850 | 48,319 |
| Adjusted EBITDA | $504,167 | $521,919 | $510,105 |

Depreciation and Amortization

| | Year Ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| Depreciation of fixed assets and landfill amortization | $233,998 | $239,410 | $229,392 | $(5,412) | (2.3)% | $10,018 | 4.4% |
| Permits and other intangibles amortization | 40,196 | 36,673 | 35,057 | 3,523 | 9.6% | 1,616 | 4.6% |
| Total depreciation and amortization | $274,194 | $276,083 | $264,449 | $(1,889) | (0.7)% | $11,634 | 4.4% |

Depreciation of fixed assets and landfill amortization decreased $5.4 million for the year ended December 31, 2015 compared to the comparable period in 2014 primarily due to lower landfill volumes generated in the year ended December 31, 2015 which resulted in $2.9 million of lower amortization in those periods. Permits and other intangibles amortization increased $3.5 million for the year ended December 31, 2015 compared to the comparable period in 2014 primarily due to an increased intangible base in 2015. The increased intangible base was attributable to intangible assets recognized in the acquisition of TFI which occurred in April of 2015.

Depreciation of fixed assets and landfill amortization increased $10.0 million for the year ended December 31, 2014 compared to the comparable period in 2013 primarily due to higher landfill volumes generated in the year ended December 31, 2014 which resulted in greater amortization in 2014. Permits and other intangibles amortization also increased $1.6 million for the year ended December 31, 2014 compared to the comparable period in 2014 primarily due to an increased intangible base in 2014. The increased intangible base was primarily attributable to intangible assets recognized in the two privately owned companies we acquired in 2014.

Goodwill impairment charge

| | Year Ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| Goodwill impairment charge | $31,992 | $123,414 | $— | $(91,422) | 100.0% | $123,414 | —% |

During the year ended December 31, 2015, we recorded a $32.0 million goodwill impairment charge in our Oil and Gas Field Services reporting unit. During the year ended December 31, 2014, we recorded a $123.4 million goodwill impairment charge on our Kleen Performance Products reporting unit. For additional information regarding our 2015 and 2014 goodwill impairment charges, see the discussion under the goodwill heading within our "Critical Accounting Policies and Estimates" below.

Other (Expense) Income

| | Year Ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| Other (expense) income | $(1,380) | $4,380 | $1,705 | $(5,760) | (131.5)% | $2,675 | (156.9)% |

Other (expense) income decreased 131.5%, or $5.8 million, for the year ended December 31, 2015 as compared to 2014 primarily due to losses recognized on the sale of fixed assets which occurred in 2015 and 2014 gains on the sale of investments which did not occur in 2015. For the year ended December 31, 2014, other (expense) income increased $2.7 million from the comparable period in 2013 primarily due to gains recognized from the sale of investments which occurred in 2014.

Provision for Income Taxes

| | Year Ended December 31, | | | 2015 over 2014 | | 2014 over 2013 | |
|---|---|---|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 | $ Change | % Change | $ Change | % Change |
| Provision for income taxes | $65,544 | $66,850 | $48,319 | $(1,306) | (2.0)% | $18,531 | 38.4 % |

Income tax expense remained consistent over the year ended December 31, 2015 from the comparable period in 2014. Income tax expense increased $18.5 million for the year ended December 31, 2014 from the comparable period in 2013. The increase was a result of the increased earnings in the United States and the continued losses in Canada during 2014.

Effective tax rates for the years ended December 31, 2015, 2014 and 2013 were 59.8%, 173.5% and 33.6%, respectively. In 2015 and 2014, we recorded an income tax benefit of $2.0 million and $2.7 million, respectively, as a result of the goodwill impairment charge. Absent the impact of the impairment charge on pre-tax income from operations, the Company's effective tax rate for 2015 and 2014 was 47.7% and 40.6%, respectively. The increase in the effective rates absent the impact of impairment charges for the year ended December 31, 2015 as compared to 2014 was primarily due to an increase in the proportionate share of our pre-tax income being generated by the United States operations combined with losses being generated in Canadian operations and benefiting us at a lower statutory tax rate and for an increase in the valuation allowance and true ups of deferred balances for rate increases. The increase in the effective rate absent the impact of the impairment charge for the year ended December 31, 2014 as compared to the 2013 effective rate is primarily due to an increase in the proportionate share of our pre-tax income being generated by the United States operations and the result of the release of unrecognized tax benefits in 2013.

Liquidity and Capital Resources

| | For the years ended December 31, | | |
|---|---|---|---|
| (in thousands) | 2015 | 2014 | 2013 |
| Net cash from operating activities | $396,383 | $297,366 | $415,839 |
| Net cash used in investing activities | (350,642) | (258,294) | (345,512) |
| Net cash (used in) from financing activities | (90,179) | (93,945) | 13,126 |

Net cash from operating activities

Net cash from operating activities for the year ended December 31, 2015 was $396.4 million, an increase of 33.3%, or $99.0 million, compared with net cash from operating activities for the year ended December 31, 2014. The change was primarily the result of improved management of working capital in 2015, more specifically from the timing of accounts receivable collections and decreased levels of inventories and supplies as compared to the prior year. For the year ended December 31, 2014, net cash from operating activities was $297.4 million, a decrease of 28.5%, or $118.5 million, compared with cash from operating activities for the year ended December 31, 2013. The change was primarily the result of a net increase in working capital driven by the timing associated with payment of liabilities in 2014 as compared to the prior year.

Net cash used in investing activities

Net cash used in investing activities for the year ended December 31, 2015 was $350.6 million, an increase of 35.8%, or $92.3 million, compared with cash used in investing activities for the year ended December 31, 2014. The change was primarily driven by an increase in cash paid for acquisitions in 2015 and decrease in proceeds from investment sales that occurred in 2014 and did not reoccur in 2015. For the year ended December 31, 2014, net cash used in investing activities was $258.3 million, a decrease of 25.2%, or $87.2 million, compared with cash used in investing activities for the year ended December 31, 2013. The change was primarily the result of decreases in capital expenditures and cash paid for acquisitions as well as proceeds received from the sale of investments which did not occur in 2013.

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Net cash (used in) from financing activities

Net cash used in financing activities for the year ended December 31, 2015 was $90.2 million, a decrease of 4.0%, or $3.8 million, compared with cash used in financing activities for the year ended December 31, 2014. The change in net cash used in financing activities during the year ended December 31, 2015 was primarily due to a decrease in repurchases of common stock and a reduction in payments on capital leases in 2015 as compared to 2014, offset by changes in and from the timing of uncashed checks. For the year ended December 31, 2014, net cash (used in) from financing activities was $93.9 million, a decrease of $107.1 million, compared to net cash (used in) from financing activities for the year ended December 31, 2013. The change in net cash (used in) from financing activities during the year ended December 31, 2014 was primarily due to repurchases of common stock and a $5.0 million payment of outstanding senior notes, neither of which occurred in 2013.

Working Capital

At December 31, 2015, cash and cash equivalents totaled $184.7 million, compared to $246.9 million at December 31, 2014. At December 31, 2015, cash and cash equivalents held by foreign subsidiaries totaled $90.2 million and were readily convertible into other foreign currencies including U.S. dollars. At December 31, 2015, the cash and cash equivalents balance for our U.S. operations was $94.5 million, and our U.S. operations had net operating cash flows of $324.1 million for the year ended December 31, 2015. Additionally, we have a $400.0 million revolving credit facility of which approximately $178.5 million was available to borrow at December 31, 2015. Based on the above and our current plans, we believe that our U.S. operations have adequate financial resources to satisfy their liquidity needs without being required to repatriate earnings from foreign subsidiaries. Accordingly, although repatriation to the U.S. of foreign earnings would generally be subject to U.S. income taxation, net of any available foreign tax credits, we have not recorded any deferred tax liability related to such repatriation since we intend to permanently reinvest foreign earnings outside the U.S.

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest payments and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and internal investing cash needs as well as any cash needs relating to our stock repurchase program. Furthermore, the existing cash balances and the availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

Financing Arrangements

The financing arrangements and principal terms of our $800.0 million principal amount of 5.25% senior unsecured notes due 2020 and $595.0 million principal amount of 5.125% senior unsecured notes due 2021 which were outstanding at December 31, 2015, and our $400.0 million revolving credit facility, are discussed further in Note 10, “Financing Arrangements,” to our consolidated financial statements included in Item 8 of this report.

As of December 31, 2015, we were in compliance with the covenants of all of our debt agreements, and we believe we will continue to meet such covenants.

Environmental Liabilities

| | As of December 31, | | 2015 over 2014 | |
|---|---|---|---|---|
| (in thousands) | 2015 | 2014 | $ Change | % Change |
| Closure and post-closure liabilities | $56,249 | $50,701 | $5,548 | 10.9 % |
| Remedial liabilities | 131,992 | 155,121 | (23,129) | (14.9)% |
| Total environmental liabilities | $188,241 | $205,822 | $(17,581) | (8.5)% |

Total environmental liabilities as of December 31, 2015 were $188.2 million, a decrease of 8.5%, or $17.6 million, compared to the liabilities as of the comparable date in 2014 primarily due to expenditures and changes in estimates recorded to the statement of income partially offset by accretion.

We anticipate our environmental liabilities, substantially all of which we assumed in connection with our acquisitions, will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than currently anticipated, which could adversely affect our results of operations, cash flow and financial condition.

During each of 2015, 2014 and 2013, we benefited from reductions in our environmental liabilities due to changes in estimates recorded to the statement of income. The benefits over these years were primarily due to the successful introduction of new technology for remedial activities, favorable results from environmental studies of the on-going remediation, including favorable regulatory approvals, and lower project costs realized by utilizing internal labor and equipment. The principal changes in estimates were from the following items:

In 2015, the net reduction in our environmental liabilities from changes in estimates recorded to the statement of income (loss) was $11.3 million and primarily related to reductions in the estimates for remedial activities at four locations. Events which occurred during 2015 and resulted in the changes in estimates were attributable to favorable outcomes from negotiations amongst potentially responsible parties (or “PRPs”) which we participate in of $3.8 million, the results of work performed by external third party consultants whom were engaged to aid us in estimating future remedial activity costs at certain sites of $4.7 million and the result of receiving Provincial approval for a planned expansion of one of our landfills in Canada which as a result will remediate our previously recognized obligations of $2.5 million.

In 2014, the net reduction in our environmental liabilities from changes in estimates recorded to the statement of income was $3.4 million and primarily related to reductions in the estimates associated with future monitoring costs of certain sites and favorable settlement with PRPs which we were part of.

In 2013, the net reduction in our environmental liabilities from changes in estimates recorded to the statement of income was $3.7 million and primarily related to two sites. One site received site closure approval, which resulted in reevaluating and removing certain compensation costs, and at the other site we received a favorable notification from the PRPs group which indicated that the Interim Remedial Measure work had been completed and was fully funded by a trust held by the regulatory agency and from funds collected from settling PRPs.

Contractual Obligations

The following table has been included to assist the reader in analyzing our debt and similar obligations as of December 31, 2015 and our ability to meet such obligations (in thousands):

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1-3 years | 4-5 years | After 5 years |
| Closure, post-closure and remedial liabilities | $457,791 | $21,685 | $47,973 | $31,652 | $356,481 |
| Long-term obligations, at par | 1,395,000 | — | — | 800,000 | 595,000 |
| Interest on long-term obligations | 357,676 | 72,494 | 144,988 | 127,488 | 12,706 |
| Operating leases | 142,978 | 37,064 | 51,124 | 30,403 | 24,387 |
| Total contractual obligations | $2,353,445 | $131,243 | $244,085 | $989,543 | $988,574 |

The undiscounted value of closure, post closure and remedial liabilities of $457.8 million is equivalent to the present value of $188.2 million based on discounting of $182.3 million and the undiscounted remainder of $87.3 million to be accrued for closure and post-closure liabilities over the remaining site lives.

The following table has been included to assist the reader in understanding other contractual obligations we had as of December 31, 2015 and our ability to meet these obligations (in thousands):

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| Other Commercial Commitments | Total | Less than 1 year | 1-3 years | 4-5 years | After 5 years |
| Standby letters of credit | $144,573 | $144,573 | $— | $— | $— |

We obtained the standby letters of credit described in the above table primarily as security for financial assurances which we have been required to provide to regulatory bodies for our hazardous waste facilities and which would be called only in the event that we fail to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities. See Note 10, "Financing Arrangements," to our consolidated financial statements included in Item 8 of this report for further discussion of our standby letters of credit and other financing arrangements.

Off-Balance Sheet Arrangements

Except for our obligations under operating leases and letters of credit described above under "Contractual Obligations" and performance obligations incurred in the ordinary course of business, we are not party to any off-balance sheet arrangements involving guarantee, contingency or similar obligations to entities whose financial statements are not consolidated with our results, and that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors in our securities.

Capital Expenditures

We anticipate that 2016 capital spending will be below $200 million. This excludes the construction of the new incinerator at our El Dorado, Arkansas facility, which will likely add $45-$50 million in 2016. However, changes in environmental regulations could require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow.

Stockholder Matters

On March 13, 2015, our board of directors authorized the repurchase of up to $300 million of our common stock. The repurchase program authorizes us to purchase our common stock on the open market from time to time. As of December 31, 2015, we repurchased and retired a total of approximately 3.4 million shares of our common stock for approximately $177.7 million under this program. As of December 31, 2015, an additional $122.3 million remained available for repurchase of shares under the current authorized program. We have funded and intend to fund future repurchases through available cash resources. The share repurchases have been and will be made in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases will depend on a number of factors, including share price, cash required for future business plans, trading volume and other conditions. We have no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. The following are the areas that we believe require the greatest amount of judgments or estimates in the preparation of the financial statements: revenue allowance, allowance for doubtful accounts, accounting for landfills, non-landfill closure and post-closure liabilities, remedial liabilities, goodwill, permits and other intangible assets, insurance accruals, legal matters, and provision for income taxes. Our management reviews critical accounting estimates with the Audit Committee of our Board of Directors on an ongoing basis and as needed prior to the release of our annual financial statements. See also Note 2, "Significant Accounting Policies," to our consolidated financial statements included in Item 8 of this report, which discusses the significant assumptions used in applying our accounting policies.

Revenue Allowance. Due to the nature of our business and the invoices that result from the services we provide, customers may withhold payments and attempt to renegotiate amounts invoiced. In addition, for some of the services we provide, our invoices are based on quotes that can either generate credits or debits when the actual revenue amount is known. Accordingly, based on our industry knowledge and historical trends, we record a revenue allowance. Increases in overall sales volumes and the expansion of our customer base in recent years have also increased the volume of additions and deductions to the allowance during the year, as well as increased the amount of the allowance at the end of the year.

Our revenue allowance is intended to cover the net amount of revenue adjustments that may need to be credited to customers' accounts in future periods. We determine the appropriate total revenue allowance by evaluating the following factors on a customer-by-customer basis as well as on a consolidated level: historical collection trends, age of outstanding receivables, existing economic conditions and other information as deemed applicable. Revenue allowance estimates can differ materially from the actual adjustments, but historically our revenue allowance has been sufficient to cover the net amount of the reserve adjustments recorded in subsequent reporting periods.

Allowance for Doubtful Accounts. We establish an allowance for doubtful accounts to cover accounts receivable that may not be collectible. In establishing the allowance for doubtful accounts, we analyze the collectability of accounts that are large or past due. A considerable amount of judgment is required to make this assessment, based on detailed analysis of the aging of our receivables, the creditworthiness of our customers, our historical bad debts and other adjustments and current economic trends, for instance, seen in the oil and gas markets in Western Canada. Accounts receivable written off in subsequent periods can differ materially from the allowance for doubtful accounts provided, but historically our provision has been adequate.

Landfill Accounting. We amortize landfill improvements and certain landfill-related permits over their estimated useful lives. The units-of-consumption method is used to amortize land, landfill cell construction, asset retirement costs and remaining landfill cells and sites. We also utilize the units-of-consumption method to record closure and post-closure obligations for landfill cells and sites. Under the units-of-consumption method, we include future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base of the landfill assets. Additionally, where appropriate, as discussed below, we include probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill. If we determine that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time we make the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

Landfill Assets. Landfill assets include the costs of landfill site acquisition, permits and cell construction incurred to date. These amounts are amortized under the units-of-consumption method such that the asset is completely amortized when the landfill ceases accepting waste.

Landfill Capacity. Landfill capacity, which is the basis for the amortization of landfill assets and for the accrual of final closure and post-closure obligations, represents total permitted airspace plus unpermitted airspace that management believes is probable of ultimately being permitted based on established criteria. Our management applies the following criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a basis to evaluate the likelihood of success of unpermitted expansions:

- Personnel are actively working to obtain the permit or permit modifications (land use, state and federal) necessary for expansion of an existing landfill, and progress is being made on the project.
- Management expects to submit the application within the next year and to receive all necessary approvals to accept waste within the next five years.
- At the time the expansion is included in management's estimate of the landfill's useful economic life, it is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located.
- Our Company or other owner of the landfill has a legal right to use or obtain the right to use the land associated with the expansion plan.
- There are no significant known political, technical, legal or business restrictions or other issues that could impair the success of such expansion.
- A financial feasibility analysis has been completed and the results demonstrate that the expansion will have a positive financial and operational impact such that management is committed to pursuing the expansion.
- Additional airspace and related additional costs, including permitting, final closure and post-closure costs, have been estimated based on the conceptual design of the proposed expansion.

As of December 31, 2015, there was one unpermitted expansion at one location included in management's landfill calculation, which represented 3.0% of our remaining airspace at that date. If actual expansion airspace is significantly different from management's estimate of expansion airspace, the amortization rates used for the units-of-consumption method would change, therefore impacting our profitability. If we determine that there is less actual expansion airspace at a landfill, this would increase amortization expense recorded and decrease profitability, while if we determine a landfill has more actual expansion airspace, amortization expense would decrease and profitability would increase.

Landfill Final Closure and Post-Closure Liabilities. The balance of landfill final closure and post-closure liabilities at December 31, 2015 and 2014 was $32.0 million and $29.9 million, respectively. We have material financial commitments for the costs associated with requirements of the EPA and the comparable regulatory agency in Canada for landfill final closure and post-closure activities. In the United States, the landfill final closure and post-closure requirements are established under the standards of the EPA, and are implemented and applied on a state-by-state basis. We develop estimates for the cost of these activities based on our evaluation of site-specific facts and circumstances, such as the existence of structures and other landfill improvements that would need to be dismantled, the amount of groundwater monitoring and leachate management expected to be performed, and the length of the post-closure period as determined by the applicable regulatory agency. Included in our cost estimates are our interpretation of current regulatory requirements and proposed regulatory changes. Such estimates may change in the future due to various circumstances including, but not limited to, permit modifications, changes in legislation or regulations, technological changes and results of environmental studies. We perform zero-based reviews of these estimated liabilities at least every five years or sooner if the occurrence of a significant event is likely to change the timing or amount of the currently estimated expenditures. We consider a significant event to be a new regulation or an amendment to an existing regulation, a new permit or modification to an existing permit, or a change in the market price of a significant cost item. Our cost estimates are calculated using internal sources as well as input from third party experts. These costs are measured at estimated fair value using present value techniques, and therefore changes in the estimated timing of closure and post-closure activities would affect the liability, the value of the related asset, and our results of operations.

Final closure costs are the costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state or provincial regulatory agency. These costs generally include the costs required to cap the final cell of the landfill (if not included in cell closure), to dismantle certain structures for landfills and other landfill improvements and regulation-mandated groundwater monitoring, and for leachate management. Post-closure costs involve the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. These costs generally include groundwater monitoring and leachate management. Regulatory post-closure periods are generally 30 years after landfill closure. Final closure and post-closure obligations are accrued on a units-of-consumption basis, such that the present value of the final closure and post-closure obligations are fully accrued at the date the landfill discontinues accepting waste.

Non-Landfill Closure and Post-Closure Liabilities. The balance of our non-landfill closure and post-closure liabilities at December 31, 2015 and 2014 was $24.2 million and $20.8 million, respectively. We base estimates for non-landfill closure and post-closure liabilities on our interpretations of existing permit and regulatory requirements for closure and post-closure maintenance and monitoring. Our cost estimates are calculated using internal sources as well as input from third party experts. We use probability scenarios to estimate when future operations will cease and inflate the current cost of closing the non-landfill facility on a probability weighted basis using the appropriate inflation rate and then discounting the future value to arrive at an estimated present value of closure and post-closure costs. The estimates for non-landfill closure and post-closure liabilities are inherently uncertain due to the possibility that permit and regulatory requirements will change in the future, impacting the estimation of total costs and the timing of the expenditures. We review non-landfill closure and post-closure liabilities for changes to key assumptions that would impact the amount of the recorded liabilities. Changes that would prompt us to revise a liability estimate include changes in legal requirements that impact our expected closure plan or scope of work, in the market price of a significant cost item, in the probability scenarios as to when future operations at a location might cease, or in the expected timing of the cost expenditures. Changes in estimates for non-landfill closure and post-closure events immediately impact the required liability and the value of the corresponding asset. If a change is made to a fully-consumed asset, the adjustment is charged immediately to expense. When a change in estimate relates to an asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of amortization. Historically, material changes to non-landfill closure and post-closure estimates have been infrequent.

Remedial Liabilities. The balance of our remedial liabilities at December 31, 2015 and 2014 was $132.0 million and $155.1 million, respectively. See Note 9, "Remedial Liabilities," to our consolidated financial statements included in Item 8 of this report for the changes to the remedial liabilities during the years ended December 31, 2015 and 2014. Remedial liabilities are obligations to investigate, alleviate and/or eliminate the effects of a release (or threat of a release) of hazardous substances into the environment and may also include corrective action under RCRA. Our remediation obligations can be further characterized as Long-term Maintenance, One-Time Projects, Legal and Superfund. Legal liabilities are typically comprised of litigation matters that involve potential liability for certain aspects of environmental cleanup and can include third party claims for property damage or bodily injury allegedly arising from or caused by exposure to hazardous substances originating from our activities or operations or, in certain cases, from the actions or inactions of other persons or companies. Superfund liabilities are typically claims alleging that we are a potentially responsible party ("PRP") and/or are potentially liable for environmental response, removal, remediation and cleanup costs at/or from either a facility we own or a site owned by a third party. As described in Note 16, "Commitments and Contingencies," to our consolidated financial statements included in Item 8 of this report, Superfund liabilities also include certain liabilities payable to governmental entities for which we are potentially liable to reimburse the sellers in connection with our 2002 acquisition of substantially all of the assets of the Chemical Services Division (the "CSD assets") of Safety-Kleen Corp. Long-term Maintenance liabilities include the costs of groundwater monitoring, treatment system operations, permit fees and facility maintenance for inactive operations. One-Time Projects liabilities include the costs necessary to comply with regulatory requirements for the removal or treatment of contaminated materials.

Amounts recorded related to the costs required to remediate a location are determined by internal engineers and operational personnel and incorporate input from external third parties. The estimates consider such factors as the nature and extent of environmental contamination (if any); the terms of applicable permits and agreements with regulatory authorities as to cleanup procedures and whether modifications to such permits and agreements will likely need to be negotiated; the cost of performing anticipated cleanup activities based upon current technology; and in the case of Superfund and other sites where other parties will also be responsible for a portion of the cleanup costs, the likely allocation of such costs and the ability of such other parties to pay their share. Each quarter, our management discusses if any events have occurred or milestones have been met that would warrant the creation of a new remedial liability or the revision of an existing remedial liability. Such events or milestones include identification and verification as a PRP, receipt of a unilateral administrative order under Superfund or requirement for RCRA interim corrective measures, completion of the feasibility study under Superfund or the corrective measures study under RCRA, new or modifications to existing permits, changes in property use, or a change in the market price of a significant cost item. Remedial liabilities are inherently difficult to estimate and there is a risk that the actual quantities of contaminants could differ from the results of the site investigation, which could materially impact the amount of our liability. It is also possible that chosen methods of remedial solutions will not be successful and funds will be required for alternative solutions.

Remedial liabilities are discounted only when the timing of the payments is estimable and the amounts are determinable, with the exception of remedial liabilities assumed as part of an acquisition that are measured at fair value.

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We establish reserves for estimated environmental liabilities based on acceptable technologies when we determine the liability is appropriate. Introductions of new technologies are subject to successful demonstration of the effectiveness of the alternative technology and regulatory approval. We routinely review and evaluate the sites for which we have established estimated environmental liabilities reserves to determine if there should be changes in the established reserves. The changes in estimates are reflected as adjustments in the ordinary course of business in the period when we determine that an adjustment is appropriate as new information becomes available. Upon demonstration of the effectiveness of the alternative technology and applicable regulatory approval, we update our estimated cost of remediating the affected sites.

Goodwill and Other Long-Lived Assets. Goodwill is not amortized but is reviewed for impairment annually as of December 31 or when events or changes in the business environment indicate the carrying value of the reporting unit may exceed its fair value. This review is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. If the fair value is less than the carrying amount, a Step II analysis of the fair value of all the elements of the reporting unit is performed to determine if and to what degree goodwill is impaired. The loss, if any, is measured as the excess of the carrying value of the goodwill over the value of the goodwill implied by the results of the Step II analysis.

We determine our reporting units by identifying the components of each operating segment, and then in some circumstances aggregate components having similar economic characteristics based on quantitative and/or qualitative factors. We have determined that we have seven reporting units. Our Technical Services, Kleen Performance Products, SK Environmental Services, Lodging Services and Oil and Gas Field Services segments each constitute a reporting unit. Our Industrial and Field Services segment includes two separate reporting units: Industrial Services and Field Services. As a result of impairment charges recognized in the second quarter of 2015 and discussed more fully below, no goodwill is recorded by the Oil and Gas Field Services segment as of December 31, 2015.

We conducted our annual impairment test of goodwill for all of our reporting units to which goodwill is allocated as of December 31, 2015 and determined that no adjustment to the carrying value of goodwill for any reporting unit was then necessary. In all cases except for our Kleen Performance Products reporting unit, the estimated fair values of each reporting unit significantly exceeded their carrying values. The annual impairment test fair value for all of our reporting units is determined using an income approach (a discounted cash flow analysis) which incorporates several underlying estimates and assumptions with varying degrees of uncertainty. The discounted cash flow analyses include estimated cash flows for a discrete five year future period and for a terminal period thereafter. In all instances, we corroborate our estimated fair values by also considering other factors such as the fair value of comparable companies to businesses contained in our reporting units. As part of the annual test we also perform a reconciliation of the total estimated fair values of all reporting units to our market capitalization.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, goodwill attributable to the Oil and Gas Field Services reporting unit was at risk of impairment because of lower operating results caused by the depressed economic conditions and lower levels of activity in the oil and gas industry primarily in Western Canada. In consideration of the increased risk of impairment associated with this segment, management regularly evaluated whether any changes in events or circumstances arose which would indicate that the fair value of this reporting unit was less than its carrying value.

During the second quarter of 2015, certain events and changes in circumstances arose which led management to conclude that the fair values of the Oil and Gas Field Services reporting unit more likely than not had reduced to an amount less than its carrying value and therefore an interim impairment test was conducted relative to goodwill recorded by the Oil and Gas Field Services reporting unit. The primary events and changes in circumstances which led to this conclusion were:

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The second quarter is the period of time where greater levels of communication with customers and the receipt of bids and proposals for project work take place and provide management with more clarity into levels of activity and other economic and business indicators for the latter half of the fiscal year and on into the first quarter of the following year. During the quarter ended June 30, 2015, it became apparent that oil and gas exploration and production activity would continue to be lower than historical periods and lower than previously anticipated by our Company. This was evidenced by reduced volume in bid and proposal requests from customers and communications indicating the reduction in customer budgets in these areas as well as lower than anticipated pricing for our services.

- Market and industry reports which management looks to in projecting business conditions and establishing forecast information evidenced more pessimistic views in the near term. The continued depressed price of oil without any upward momentum since December 2014, as well as declining and expected continued decline in rig count for the remainder of 2015, resulted in lower estimates of industry activity in the second half of 2015 and early 2016.

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- In recognition of lower than anticipated business results and less optimistic market indicators, management significantly lowered its 2015 forecasts relative to the Oil and Gas Field Services reporting unit.

Significant judgments and unobservable inputs categorized as Level III in the fair value hierarchy are inherent in the impairment tests performed and include assumptions about the amount and timing of expected future cash flows, growth rates, profit margins and the determination of appropriate discount rates. In performing the Step I test as of June 30, 2015 certain of these significant assumptions changed from those utilized in performing our annual goodwill impairment test as of December 31, 2014. Based upon information known as of June 30, 2015, we reduced the estimates and assumptions around FY2015 annual revenue growth from 1% of growth to a contraction in 2015 revenues of 24%. This decrease resulted largely from projects which were expected to occur in the second half of 2015 but had then been canceled or reduced as well as updated outlooks on pricing of our services. EBITDA margins relative to 2015 were also reduced from estimates of 13% utilized in the most recent annual test to 6%. Prior to the impairment we had assumed greater EBITDA margin expansion driven by more positive revenue growth which increased estimated future cash flows. The reduction in margin assumptions utilized in the June 30, 2015 Step I test was based upon the lower levels of revenue then forecasted for 2015, lower pricing of our services and less than anticipated cost savings from cost cutting measures which had been planned but had not fully materialized as of June 30, 2015. These lower revenue and margin estimates associated with 2015 resulted in lower expectations and cash flows in 2015 and also led to decreases in expected revenues and cash flows in future periods, thus lengthening our assumptions around the recovery from the current business downturn as compared to assumptions utilized in prior tests. The changes in these estimates and business assumptions had significant negative impact on our estimates of future anticipated cash flows used in our impairment test and therefore on our estimates of the fair value of the Oil and Gas Field Services reporting unit. Discount rate assumptions utilized in the June 30, 2015 test were consistent with those used in the December 31, 2014 annual test. The results of the Step I test conducted as of June 30, 2015 indicated that the estimated fair value of the reporting unit was less than its carrying value and therefore a Step II test was performed to determine if and in what amount goodwill recorded by the Oil and Gas Field Services segment was impaired. The results of the Step II test indicated that as of June 30, 2015, the total amount of goodwill recorded by the reporting unit was impaired and as such a $32.0 million impairment charge was recorded and is reflected in the 2015 operating results.

During the fiscal quarter ended September 30, 2014, we recorded a $123.4 million impairment charge related to goodwill recorded by the Kleen Performance Products reporting unit. Decreasing market prices associated with the reporting unit's oil products which began to occur in the third quarter of 2014 was the predominant factor which led to the charge being recognized in the third quarter of 2014. The charge was recognized after developing an estimate of the reporting unit's fair value as of September 30, 2014 and conducting Step I and Step II goodwill impairment tests. Significant judgments and estimates were utilized in estimating the fair value of the Kleen Performance Products reporting unit as of September 30, 2014 including the timing of expected future cash flows, pricing assumptions and related revenue growth rates, product mix, overall profit margins and the determination of appropriate discount rates. In performing the Step I test as of September 30, 2014, certain of these significant assumptions changed from those utilized in performing our annual goodwill impairment test as of December 31, 2013. Based upon information known as of September 30, 2014, assumptions surrounding the pricing of our products were significantly decreased resulting in FY2014 and 2015 growth rates being reduced from 13% and 4% respectively to -5% and 2%. These changes in revenue assumptions significantly impacted the estimated fair value of the reporting unit.

During the year ended December 31, 2015, we continued to evaluate the Kleen Performance Products reporting unit's performance and monitor for events or changes in circumstances which might indicate that the estimated fair value of the Kleen Performance Products reporting unit was below its carrying value. Despite continued decreases in overall pricing and in turn, lower revenues generated by the business, cost reductions and in particular successful management of costs associated with used oil raw materials and other expenses led to conclusions that no further impairments existed in 2015.

Accordingly, in conducting our December 31, 2015 goodwill impairment test, we determined that the estimated fair value of the Kleen Performance Products reporting unit exceeded its carrying value by 19%. Significant assumptions included in the discounted cash flow model utilized to estimate the reporting unit’s fair value were a compounded annual revenue growth assumption of approximately 5% over the five year discrete period and 3% thereafter, EBITDA margins consistent with the historical performance of the business and a weighted average cost of capital assumption equal to 12% which was utilized to discount the estimated future cash flows of the business in order to estimate its current fair value.

See further information related to the goodwill impairment charges recorded in Note 6, "Goodwill and Other Intangible Assets," to our consolidated financial statements included in Item 8 of this report.

Indefinite-lived intangible assets are not amortized but are reviewed for impairment annually as of December 31, or when events or changes in the business environment indicate that the carrying value may be impaired. If the fair value of the asset is less than the carrying amount, we perform a quantitative test to determine the fair value. The impairment loss, if any, is measured as the excess of the carrying value of the asset over its fair value. The fair value of the indefinite-lived intangibles exceeded their carrying values at December 31, 2015. We will continue to closely monitor the performance of our indefinite-lived intangible assets. There can be no assurance that future events will not result in an impairment of indefinite-lived intangible assets.

Our long-lived assets are carried on our financial statements based on their cost less accumulated depreciation or amortization. Long-lived assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be entirely recoverable. When such factors and circumstances exist, management compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. The impairment loss, if any, is measured as the excess of the carrying amount over the fair value of the asset and is recorded in the period in which the determination is made. Any resulting impairment losses recorded by us could have an adverse impact on our results of operations.

In 2015 and in response to the same circumstances which triggered the goodwill impairment charges recognized relative to the Oil and Gas Field Services segment, we performed analyses to consider whether the carrying values of other long-lived assets held within the segment may not be entirely recoverable. As of December 31, 2015, the Oil and Gas Field Services segment had property, plant and equipment, net of $156.3 million, other intangible assets of $14.9 million consisting of customer and supplier relationships of $8.2 million and other intangible assets of $6.7 million. As a result of these analyses, we concluded that no impairment of intangible or other long lived assets existed as estimated cash flows generated from associated asset groups exceeded their carrying values.

We will continue to evaluate all of our goodwill and other long-lived assets impacted by economic downturns most predominantly in oil and energy related markets in which they operate. If further economic difficulties resulting from depressed oil and gas related pricing and lower overall activity levels, particularly in our Canadian operations, continue for a significant foreseeable period of time and thus future operating results are significantly less than current expectations additional impairment charges may be recognized. The market conditions which could lead to such future impairments are currently most prevalent in our Oil and Gas Field Services, Lodging Services and Industrial Services operations.

Legal Matters. As described in Note 16, "Commitments and Contingencies," to our consolidated financial statements included in Item 8 of this report, we are subject to legal proceedings which relate to our past acquisitions or which have arisen in the ordinary course of business. Accruals are established for legal matters when, in our opinion, it is probable that a liability exists and the liability can be reasonably estimated. As of December 31, 2015, we had reserves of $21.9 million consisting of (i) $18.9 million related to pending legal or administrative proceedings, including Superfund liabilities, which were included in the $188.2 million accrued environmental liabilities as of December 31, 2015 for closure, post-closure and remediation as described above, and (ii) $3.0 million primarily related to federal and state enforcement actions, which were included in accrued expenses on the consolidated balance sheets. We also estimate that it is "reasonably possible," as that term is defined ("more than remote but less than likely"), that the amount of such total liabilities could be as much as $1.9 million more. Actual expenses incurred in future periods could differ materially from accruals established.

Provision for Income Taxes. Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best estimate of future taxes to be paid. We are subject to income taxes in both the United States and in foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense. We do not accrue U.S. tax for foreign earnings that we consider to be permanently reinvested outside the United States. Consequently, we have not provided any U.S. tax on the unremitted earnings of our foreign subsidiaries. As of December 31, 2015, the amount of earnings for which no repatriation tax has been provided was $212.7 million. It is not practicable to estimate the amount of additional tax that might be payable on those earnings if repatriated.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence. We establish a valuation allowance when, based on an evaluation of objective verifiable evidence, we believe it is more likely than not that some portion or all of deferred tax assets will not be realized.

A liability for uncertain tax positions is recorded to the extent a tax position taken or expected to be taken in a tax return does not meet certain recognition or measurement criteria. We record interest and penalties on these uncertain tax positions as applicable as a component of income tax expense.

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## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risks, including changes in interest rates and certain foreign currency rates, primarily the Canadian dollar. Our philosophy in managing interest rate risk is to borrow at fixed rates for longer time horizons to finance non-current assets and to borrow (to the extent, if any, required) at variable rates for working capital and other short-term needs. We therefore have not entered into derivative or hedging transactions relating to interest rate risk, nor have we entered into transactions to finance off-balance sheet debt. The following table provides information regarding our fixed rate borrowings at December 31, 2015 (in thousands):

| Scheduled Maturity Dates | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Senior unsecured notes due 2020 | $— | $— | $— | $— | $800,000 | $— | $800,000 |
| Senior unsecured notes due 2021 | — | — | — | — | — | 595,000 | 595,000 |
| Long term obligations, at par | $— | $— | $— | $— | $800,000 | $595,000 | $1,395,000 |
| Weighted average interest rate on fixed rate borrowings | | | | | | | 5.2 % |

In addition to the fixed rate borrowings described in the above table, we had at December 31, 2015, variable rate instruments that included a revolving credit facility with maximum borrowings of up to $400.0 million (with a $325.0 million sub-limit for letters of credit). Interest payments are due in the amount of $21.0 million each related to the $800.0 million senior unsecured notes payable semi-annually on February 1 and August 1 of each year, and in the amount of $15.2 million each related to the $595.0 million senior unsecured notes payable semi-annually on June 1 and December 1 of each year.

We view our investment in our foreign subsidiaries as long-term; thus, we have not entered into any hedging transactions between any two foreign currencies or between any of the foreign currencies and the U.S. dollar. During 2015, the Canadian subsidiaries transacted approximately 10.8% of their business in U.S. dollars and at any period end have cash on deposit in U.S. dollars and outstanding U.S. dollar accounts receivable related to these transactions. These cash and receivable accounts are vulnerable to foreign currency transaction gains or losses. Exchange rate movements also affect the translation of Canadian generated profits and losses into U.S. dollars. Had the Canadian dollar been 10.0% stronger or weaker against the U.S. dollar, we would have reported increased or decreased net income of $6.5 million and $2.6 million for the year ended December 31, 2015 and 2014, respectively.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Clean Harbors, Inc.
Norwell, Massachusetts

We have audited the accompanying consolidated balance sheets of Clean Harbors, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income (loss), comprehensive (loss) income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Clean Harbors, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2016

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

| | As of December 31, | |
|---|---|---|
| | 2015 | 2014 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $184,708 | $246,879 |
| Accounts receivable, net of allowances aggregating $31,426 and $25,661, respectively | 496,004 | 557,131 |
| Unbilled accounts receivable | 25,940 | 40,775 |
| Deferred costs | 18,758 | 19,018 |
| Inventories and supplies | 149,521 | 168,663 |
| Prepaid expenses and other current assets | 46,265 | 57,435 |
| Deferred tax assets | — | 36,532 |
| Total current assets | 921,196 | 1,126,433 |
| Property, plant and equipment, net | 1,532,467 | 1,558,834 |
| Other assets: | | |
| Deferred financing costs | 1,847 | 2,725 |
| Goodwill | 453,105 | 452,669 |
| Permits and other intangibles, net | 506,818 | 530,080 |
| Other | 15,995 | 18,682 |
| Total other assets | 977,765 | 1,004,156 |
| Total assets | $3,431,428 | $3,689,423 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of capital lease obligations | $— | $536 |
| Accounts payable | 241,183 | 267,329 |
| Deferred revenue | 61,882 | 62,966 |
| Accrued expenses | 193,660 | 219,549 |
| Current portion of closure, post-closure and remedial liabilities | 20,395 | 22,091 |
| Total current liabilities | 517,120 | 572,471 |
| Other liabilities: | | |
| Closure and post-closure liabilities, less current portion of $7,229 and $4,999, respectively | 49,020 | 45,702 |
| Remedial liabilities, less current portion of $13,166 and $17,092, respectively | 118,826 | 138,029 |
| Long-term obligations | 1,382,543 | 1,380,145 |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | 267,637 | 290,205 |
| Total other liabilities | 1,818,026 | 1,854,081 |
| Commitments and contingent liabilities (See Note 16) | | |
| Stockholders' equity: | | |
| Common stock, $.01 par value: | | |
| Authorized 80,000,000 shares; issued and outstanding 57,593,201 and 58,903,482 shares, respectively | 576 | 589 |
| Shares held under employee participation plan | (469) | (469) |
| Additional paid-in capital | 738,401 | 805,029 |
| Accumulated other comprehensive loss | (254,892) | (110,842) |
| Accumulated earnings | 612,666 | 568,564 |
| Total stockholders' equity | 1,096,282 | 1,262,871 |

| | | |
|---|---|---|
| Total liabilities and stockholders' equity | $3,431,428 | $3,689,423 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands except per share amounts)

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenues: | | | |
| Service revenues | $2,744,272 | $2,639,796 | $2,729,205 |
| Product revenues | 530,865 | 761,840 | 780,451 |
| Total revenues | 3,275,137 | 3,401,636 | 3,509,656 |
| Cost of revenues: (exclusive of items shown separately below) | | | |
| Service revenues | 1,898,907 | 1,790,377 | 1,874,448 |
| Product revenues | 457,899 | 651,419 | 668,185 |
| Total cost of revenues | 2,356,806 | 2,441,796 | 2,542,633 |
| Selling, general and administrative expenses | 414,164 | 437,921 | 470,477 |
| Accretion of environmental liabilities | 10,402 | 10,612 | 11,541 |
| Depreciation and amortization | 274,194 | 276,083 | 264,449 |
| Goodwill impairment charge | 31,992 | 123,414 | — |
| Income from operations | 187,579 | 111,810 | 220,556 |
| Other (expense) income | (1,380) | 4,380 | 1,705 |
| Interest expense, net of interest income of $626, $819, and $507, respectively | (76,553) | (77,668) | (78,376) |
| Income before provision for income taxes | 109,646 | 38,522 | 143,885 |
| Provision for income taxes | 65,544 | 66,850 | 48,319 |
| Net income (loss) | $44,102 | $(28,328) | $95,566 |
| Earnings (loss) per share: | | | |
| Basic | $0.76 | $(0.47) | $1.58 |
| Diluted | $0.76 | $(0.47) | $1.57 |
| Shares used to compute earnings (loss) per share — Basic | 58,324 | 60,311 | 60,574 |
| Shares used to compute earnings (loss) per share — Diluted | 58,434 | 60,311 | 60,728 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income (loss) | $44,102 | $(28,328) | $95,566 |
| Other comprehensive loss: | | | |
| Unrealized gains on available-for-sale securities (net of taxes of $0, $183 and $208, respectively) | — | 976 | 1,244 |
| Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of $508) | — | (2,880) | — |
| Foreign currency translation adjustments | (144,050) | (88,725) | (70,791) |
| Unfunded pension liability (net of taxes of $7, $248 and $123, respectively) | — | (657) | 359 |
| Other comprehensive loss | (144,050) | (91,286) | (69,188) |
| Comprehensive (loss) income | $(99,948) | $(119,614) | $26,378 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Cash flows from operating activities: | | | |
| Net income (loss) | $44,102 | $(28,328) | $95,566 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Depreciation and amortization | 274,194 | 276,083 | 264,449 |
| Goodwill impairment charge | 31,992 | 123,414 | — |
| Pre-tax, non-cash acquisition accounting inventory adjustments | — | — | 13,559 |
| Allowance for doubtful accounts | 4,793 | 8,917 | 7,933 |
| Amortization of deferred financing costs and debt discount | 3,280 | 3,289 | 3,301 |
| Accretion of environmental liabilities | 10,402 | 10,612 | 11,541 |
| Changes in environmental liability estimates | (11,345) | (3,367) | (3,682) |
| Deferred income taxes | 1,930 | 32,320 | 31,119 |
| Other expense (income) | 1,380 | (4,380) | (1,705) |
| Stock-based compensation | 8,550 | 8,800 | 8,946 |
| Excess tax benefit of stock-based compensation | (71) | (878) | (1,409) |
| Net tax benefit on stock-based awards | (82) | 816 | 1,399 |
| Environmental expenditures | (20,130) | (20,245) | (19,416) |
| Changes in assets and liabilities: | | | |
| Accounts receivable and unbilled accounts receivables | 55,271 | (14,342) | (54,213) |
| Inventories and supplies | 14,059 | (21,339) | (1,144) |
| Other current assets | 48,760 | (19,030) | 20,857 |
| Accounts payable | (16,299) | (52,026) | 37,117 |
| Other current and long-term liabilities | (54,403) | (2,950) | 1,621 |
| Net cash from operating activities | 396,383 | 297,366 | 415,839 |
| Cash flows used in investing activities: | | | |
| Additions to property, plant and equipment | (257,196) | (257,613) | (280,207) |
| Proceeds from sales of fixed assets | 6,195 | 8,164 | 4,699 |
| Acquisitions, net of cash acquired | (94,345) | (16,187) | (63,264) |
| Additions to intangible assets including costs to obtain or renew permits | (5,296) | (6,519) | (6,740) |
| Proceeds from sales of investments | — | 13,861 | — |
| Other | — | — | — |
| Net cash used in investing activities | (350,642) | (258,294) | (345,512) |
| Cash flows (used in) from financing activities: | | | |
| Change in uncashed checks | (14,630) | 15,069 | 12,268 |
| Proceeds from exercise of stock options | 397 | — | 400 |
| Remittance of shares, net | (2,159) | (2,793) | (731) |
| Repurchases of common stock | (73,347) | (104,341) | — |
| Excess tax benefit of stock-based compensation | 71 | 878 | 1,409 |
| Deferred financing costs paid | — | — | (2,504) |
| Repayment of long-term obligations | — | (5,000) | — |
| Proceeds from employee stock purchase plan | — | 4,364 | 7,425 |
| Payments on capital leases | (511) | (2,122) | (4,891) |
| Issuance costs related to issuances of common stock | — | — | (250) |
| Net cash (used in) from financing activities | (90,179) | (93,945) | 13,126 |
| Effect of exchange rate change on cash | (17,733) | (8,321) | (3,216) |

| | | | |
|---|---|---|---|
| (Decrease) increase in cash and cash equivalents | (62,171) | (63,194) | 80,237 |
| Cash and cash equivalents, beginning of year | 246,879 | 310,073 | 229,836 |
| Cash and cash equivalents, end of year | $184,708 | $246,879 | $310,073 |
| Supplemental information: | | | |
| Cash payments for interest and income taxes: | | | |
| Interest paid | $73,926 | $75,408 | $75,627 |
| Income taxes paid (received) | 52,970 | 42,022 | (8,162) |
| Non-cash investing and financing activities: | | | |
| Property, plant and equipment accrued | 32,677 | 23,563 | 33,214 |
| Transfer of inventory to property, plant and equipment | — | 1,324 | 11,369 |
| Accrued business combination adjustments | — | 355 | — |
| Receivable for estimated purchase price adjustment | 1,000 | — | — |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

| | Common Stock | | Shares Held Under Employee Participation Plan | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Accumulated Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Number of Shares | $0.01 Par Value | | | | | |
| Balance at January 1, 2013 | 60,385 | $ 604 | $ (469 ) | $ 880,979 | $ 49,632 | $ 501,326 | $ 1,432,072 |
| Net income | — | — | — | — | — | 95,566 | 95,566 |
| Other comprehensive income | — | — | — | — | (69,188 ) | — | (69,188 ) |
| Stock-based compensation | 74 | — | — | 8,946 | — | — | 8,946 |
| Issuance of restricted shares, net of shares remitted | (19 ) | — | — | (731 ) | — | — | (731 ) |
| Issuance of common stock, net of issuance cost | — | — | — | (250 ) | — | — | (250 ) |
| Exercise of stock options | 61 | 3 | — | 397 | — | — | 400 |
| Net tax benefit on stock-based awards | — | — | — | 1,399 | — | — | 1,399 |
| Employee stock purchase plan | 171 | — | — | 7,425 | — | — | 7,425 |
| Balance at December 31, 2013 | 60,672 | $ 607 | $ (469 ) | $ 898,165 | $ (19,556 ) | $ 596,892 | $ 1,475,639 |
| Net loss | — | — | — | — | — | (28,328 ) | (28,328 ) |
| Other comprehensive loss | — | — | — | — | (91,286 ) | — | (91,286 ) |
| Stock-based compensation | — | — | — | 8,800 | — | — | 8,800 |
| Issuance of restricted shares, net of shares remitted | 113 | 1 | — | (2,794 ) | — | — | (2,793 ) |
| Repurchases of common stock | (1,973 ) | (20 ) | — | (104,321 ) | — | — | (104,341 ) |
| Net tax benefit on stock-based awards | — | — | — | 816 | — | — | 816 |
| Employee stock purchase plan | 91 | 1 | — | 4,363 | — | — | 4,364 |
| Balance at December 31, 2014 | 58,903 | $ 589 | $ (469 ) | $ 805,029 | $ (110,842 ) | $ 568,564 | $ 1,262,871 |
| Net income | — | — | — | — | — | 44,102 | 44,102 |
| Other comprehensive loss | — | — | — | — | (144,050 ) | — | (144,050 ) |
| Stock-based compensation | — | — | — | 8,550 | — | — | 8,550 |
| Issuance of restricted shares, net of shares remitted | 100 | 1 | — | (2,160 ) | — | — | (2,159 ) |
| Exercise of stock options | 12 | — | — | 397 | — | — | 397 |
| Repurchases of common stock | (1,422 ) | (14 ) | — | (73,333 ) | — | — | (73,347 ) |
| Net tax benefit on stock-based awards | — | — | — | (82 ) | — | — | (82 ) |
| Balance at December 31, 2015 | 57,593 | $ 576 | $ (469 ) | $ 738,401 | $ (254,892 ) | $ 612,666 | $ 1,096,282 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(1) OPERATIONS
Clean Harbors, Inc., through its subsidiaries (collectively, the "Company"), is a leading provider of environmental, energy and industrial services throughout North America.
(2) SIGNIFICANT ACCOUNTING POLICIES
The accompanying consolidated financial statements of the Company reflect the application of certain significant accounting policies as described below:
Principles of Consolidation
The accompanying consolidated statements include the accounts of Clean Harbors, Inc. and its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.
Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable at the time under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and disclosure, if any, of contingent assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates and judgments.
Reclassifications
As a result of the adoption of new accounting pronouncements issued in 2015 and discussed further in Note 2 under the heading Recent Accounting Pronouncements, certain balance sheets amounts previously reported in prior period financial statements have been reclassified in accordance with the implemented standards.

Fair Value Valuation Hierarchy

The Company defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's financial instruments consist of cash and cash equivalents, accounts and unbilled receivable, accounts payable and accrued liabilities and long-term debt obligations. Due to the short-term nature of these instruments, with the exception of long-term debt obligations, their estimated fair value approximates carrying value. Senior unsecured notes are recorded at par.

Cash, Cash Equivalents and Uncashed Checks

Cash and cash equivalents consist primarily of cash on deposit, money market accounts or short-term investments with original maturities of three months or less. The fair value of our cash equivalents is considered a Level 1 measure according to the fair value hierarchy and is adjusted to fair value based on quoted market prices. The Company's cash management program with its revolving credit lender allows for the maintenance of a zero balance in the U.S. bank disbursement accounts that are used to issue vendor and payroll checks. The program can result in checks outstanding in excess of bank balances in the disbursement accounts. When checks are presented to the bank for payment, cash deposits in amounts sufficient to fund the

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

checks are made, at the Company's discretion, either from funds provided by other accounts or under the terms of the Company's revolving credit facility. Therefore, until checks are presented for payment, there is no right of offset by the bank and the Company continues to have control over cash relating to both released as well as unreleased checks. Checks that have been written to vendors or employees but have not yet been presented for payment at the Company's bank are classified as uncashed checks as part of accounts payable and added back to cash balances.

Marketable Securities

The Company has classified its marketable securities as available-for-sale and, accordingly, carries such securities at fair value. Unrealized gains and losses are reported, net of tax, as a component of other comprehensive income.

Allowances for Doubtful Accounts

On a regular basis, the Company evaluates its accounts receivable and establishes the allowance for doubtful accounts based on an evaluation of historical collection trends, customer concentration, customer credit ratings, current economic trends and changes in customer payment patterns. Past-due receivable balances are written-off when the Company's internal collection efforts have been deemed unsuccessful in collecting the outstanding balance due.

Credit Concentration

Concentration of credit risks in accounts receivable is limited due to the large number of customers comprising the Company's customer base throughout North America. The Company maintains policies over credit extension that include credit evaluations, credit limits and collection monitoring procedures on a customer-by-customer basis. However, the Company generally does not require collateral before services are performed. As of December 31, 2015 and 2014, no individual customer accounted for more than 10% of accounts receivable. During each of the years ended December 31, 2015, 2014 and 2013, no individual customer accounted for more than 10% of total revenues.

Unbilled Receivables

The Company recognizes unbilled accounts receivable for service and disposal transactions rendered but not invoiced to the customer by the end of the period.

Deferred Costs Relating to Deferred Revenue

Commissions and other incremental direct costs, primarily costs of materials, relating to deferred revenue from the Company’s parts cleaning services, containerized waste services and vacuum services are capitalized and deferred. The deferred costs are included in current assets in the consolidated balance sheet and charged to expense when the related revenues are recognized.

Inventories and Supplies

Inventories are stated at the lower of cost or market. The cost of oil and oil products is principally determined on a first-in, first-out ("FIFO") basis. The cost of supplies and drums, solvent and solution and other inventories is determined on a FIFO or a weighted average cost basis. Costs for oil and oil products, solvent and repair parts include purchase costs, fleet and fuel costs, direct labor, transportation costs and production related costs. The Company continually reviews its inventories for obsolete or unsalable items and adjusts its carrying value to reflect estimated realizable values.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepayments for various services, refundable deposits, and income taxes receivable.

Property, Plant and Equipment (excluding landfill assets)

Property, plant and equipment are stated at cost and include amounts capitalized under capital lease obligations. Expenditures for major renewals and improvements which extend the life or usefulness of the asset are capitalized. Items of an ordinary repair or maintenance nature are charged directly to operating expense as incurred. During the construction and development period of an asset, the costs incurred, including applicable interest costs, are classified as construction-in-progress.

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(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company depreciates and amortizes the cost of these assets, using the straight-line method as follows:

| Asset Classification | Estimated Useful Life |
|---|---|
| Buildings and building improvements | |
| Buildings | 30–40 years |
| Leasehold and building improvements | 2–40 years |
| Camp equipment | 8–15 years |
| Vehicles | 3–12 years |
| Equipment | |
| Capitalized software and computer equipment | 3–5 years |
| Solar equipment | 20 years |
| Containers and railcars | 15–20 years |
| All other equipment | 8–20 years |
| Furniture and fixtures | 5–8 years |

Leasehold and building improvements have a weighted average life of 10.2 years.

Camp equipment consists of industrial lodging facilities that are utilized to provide lodging services to downstream oil and gas companies in Western Canada.

Solar equipment consists of a solar array that is used to provide electric power for a continuously operating groundwater decontamination pump and treatment system at a closed and capped landfill located in New Jersey.

The Company recognizes an impairment in the carrying value of long-lived assets when the expected future undiscounted cash flows derived from the assets, or group of assets, are less than their carrying value. For the years ended December 31, 2015, 2014 and 2013, the Company did not record impairment charges related to long-lived assets. The Company will continue to assess all of its long-lived assets for impairment as necessary.

Goodwill

Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually as of December 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value, by comparing the fair value of each reporting unit to its carrying value, including goodwill. If the fair value is less than the carrying amount, a Step II goodwill impairment test is performed to determine if goodwill is impaired. The loss, if any, is measured as the excess of the carrying value of the goodwill over the implied value of the goodwill. See Note 6, "Goodwill and Other Intangible Assets," for additional information related to the Company's goodwill impairment tests and the goodwill impairment charges recorded in 2015 and 2014.

Permits and other intangibles

Permits and intangible assets, such as legal fees, site surveys, engineering costs and other expenditures are recorded as cost. Other intangible assets consist primarily of customer and supplier relationships, trademarks and trade names, and non-compete agreements. Permits relating to landfills are amortized on a units-of-consumption basis. All other permits are amortized over periods ranging from 5 to 30 years on a straight-line basis. Other intangible assets are amortized on a straight-line basis over their respective useful lives, which range from 2 to 20 years.

Finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be entirely recoverable. When such factors and circumstances exist, management compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. The impairment loss, if any, is measured as the excess of the carrying amount over the fair value of the asset or group of assets.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Indefinite-lived intangible assets are not amortized but are reviewed for impairment annually as of December 31, or when events or changes in the business environment indicate that the carrying value may be impaired. If the fair value of the asset is less than the carrying amount, the Company performs a quantitative test to determine the fair value. The impairment loss, if any,
is measured as the excess of the carrying value of the asset over its fair value. The fair value of the indefinite-lived intangible assets exceeded their carrying values at December 31, 2015 and 2014.

Leases

The Company leases rolling stock, rail cars, equipment, real estate and office equipment under operating leases. Certain real estate leases contain rent holidays and rent escalation clauses. Most of the Company's real estate lease agreements include renewal periods at the Company's option. For its operating leases, the Company recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the lease term beginning with the date the Company takes possession of the leased assets.

Landfill Accounting

The Company amortizes landfill improvements, and certain landfill-related permits over their estimated useful lives. The units-of-consumption method is used to amortize land, landfill cell construction, asset retirement costs and remaining landfill cells and sites. The Company also utilizes the units-of-consumption method to record closure and post-closure obligations for landfill cells and sites. Under the units-of-consumption method, the Company includes future estimated construction and asset retirement costs, as well as costs incurred to date, in the amortization base of the landfill assets. Additionally, where appropriate, as described below, the Company includes probable expansion airspace that has yet to be permitted in the calculation of the total remaining useful life of the landfill. If it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, the Company may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time the Company makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

Landfill assets—Landfill assets include the costs of landfill site acquisition, permits and cell construction incurred to date. These amounts are recorded at cost, which includes capitalized interest as applicable. Landfill assets, net of amortization, are combined with management's estimate of the costs required to complete construction of the landfill to determine the amount to be amortized over the remaining estimated useful economic life of a site. Amortization of landfill assets is recorded on a units-of-consumption basis, such that the landfill assets should be completely amortized at the date the landfill ceases accepting waste. Amortization totaled $11.2 million, $14.1 million and $16.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Changes in estimated costs to complete construction are applied prospectively to the amortization rate.

Landfill capacity—Landfill capacity, which is the basis for the amortization of landfill assets and for the accrual of final closure and post-closure obligations, represents total permitted airspace plus unpermitted airspace that management believes is probable of ultimately being permitted based on established criteria. The Company applies the following criteria for evaluating the probability of obtaining a permit for future expansion airspace at existing sites, which provides management a basis to evaluate the likelihood of success of unpermitted expansions:

- Personnel are actively working to obtain the permit or permit modifications (land use, state, provincial and federal) necessary for expansion of an existing landfill, and progress is being made on the project.
- Management expects to submit the application within the next year and to receive all necessary approvals to accept waste within the next 5 years.
- At the time the expansion is included in the Company's estimate of the landfill's useful economic life, it is probable that the required approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located.
- The Company or other owner of the landfill has a legal right to use or obtain the right to use the land associated with the expansion plan.

- There are no significant known political, technical, legal or business restrictions or issues that could impair the success of such expansion.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

- A financial feasibility analysis has been completed and the results demonstrate that the expansion will have a positive financial and operational impact such that management is committed to pursuing the expansion.
- Additional airspace and related additional costs, including permitting, final closure and post-closure costs, have been estimated based on the conceptual design of the proposed expansion.

As of December 31, 2015, there was one unpermitted expansion at one location included in the Company's landfill accounting model, which represented 3.0% of the Company's remaining airspace at that date. If actual expansion airspace is significantly different from the Company's estimate of expansion airspace, the amortization rates used for the units-of-consumption method would change, therefore impacting the Company's profitability. If the Company determines that there is less actual expansion airspace at a landfill, this would increase amortization expense recorded and decrease profitability, while if the Company determines a landfill has more actual expansion airspace, amortization expense would decrease and profitability would increase.

As of December 31, 2015, the Company had 11 active landfill sites (including the Company's two non-commercial landfills), which have estimated remaining lives (based on anticipated waste volumes and remaining highly probable airspace) as follows:

| | | Remaining Lives | Remaining Highly Probable Airspace (cubic yards) (in thousands) | | |
|---|---|---|---|---|---|
| Facility Name | Location | (Years) | Permitted | Unpermitted | Total |
| Altair | Texas | 6 | 686 | — | 686 |
| Buttonwillow | California | 20 | 7,023 | — | 7,023 |
| Deer Park | Texas | 7 | 268 | — | 268 |
| Deer Trail | Colorado | 28 | 1,932 | — | 1,932 |
| Grassy Mountain | Utah | 20 | 1,839 | — | 1,839 |
| Kimball | Nebraska | 9 | 243 | — | 243 |
| Lambton | Ontario | 37 | 5,062 | — | 5,062 |
| Lone Mountain | Oklahoma | 32 | 4,809 | — | 4,809 |
| Ryley | Alberta | 9 | 608 | 880 | 1,488 |
| Sawyer | North Dakota | 45 | 3,704 | — | 3,704 |
| Westmorland | California | 64 | 2,732 | — | 2,732 |
| | | | 28,906 | 880 | 29,786 |

At December 31, 2015 and 2014, the Company had no cubic yards of permitted, but not highly probable, airspace.

The following table presents the remaining highly probable airspace from January 1, 2013 through December 31, 2015 (in thousands of cubic yards):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Remaining capacity at January 1, | 30,544 | 29,323 | 29,643 |
| Addition of highly probable airspace, net | 516 | 2,809 | 1,218 |
| Consumed | (1,274) | (1,588) | (1,538) |
| Remaining capacity at December 31, | 29,786 | 30,544 | 29,323 |

Amortization of cell construction costs and accrual of cell closure obligations—Landfills are typically comprised of a number of cells, which are constructed within a defined acreage (or footprint). The cells are typically discrete units, which require both separate construction and separate capping and closure procedures. Cell construction costs are the costs required to excavate and construct the landfill cell. These costs are typically amortized on a units-of-consumption basis, such that they are completely amortized when the specific cell ceases accepting waste. In some instances, the Company has landfills that are engineered and constructed as "progressive trenches." In progressive trench landfills, a number of contiguous cells form a progressive trench. In those instances, the Company amortizes cell construction costs over the airspace within the entire trench, such that the cell construction costs will be fully amortized at the end of the trench useful life.

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(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

The design and construction of a landfill does not create a landfill asset retirement obligation. Rather, the asset retirement obligation for cell closure (the cost associated with capping each cell) is incurred in relatively small increments as waste is placed in the landfill. Therefore, the cost required to construct the cell cap is capitalized as an asset retirement cost and a liability of an equal amount is established, based on the discounted cash flow associated with each capping event, as airspace is consumed. Spending for cell capping is reflected as environmental expenditures within operating activities in the statement of cash flows.

Landfill final closure and post-closure liabilities—The balance of landfill final closure and post-closure liabilities at December 31, 2015 and 2014 was $32.0 million and $29.9 million, respectively. The Company has material financial commitments for the costs associated with requirements of the Environmental Protection Agency ("EPA") and the comparable regulatory agency in Canada for landfill final closure and post-closure activities. In the United States, the landfill final closure and post-closure requirements are established under the standards of the EPA, and are implemented and applied on a state-by-state basis. The Company develops estimates for the cost of these activities based on an evaluation of site-specific facts and circumstances, including the Company's interpretation of current regulatory requirements and proposed regulatory changes. Such estimates may change in the future due to various circumstances including, but not limited to, permit modifications, changes in legislation or regulations, technological changes and results of environmental studies.

Final closure costs are the costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state regulatory agency. These costs generally include the costs required to cap the final cell of the landfill (if not included in cell closure), the costs required to dismantle certain structures for landfills and other landfill improvements, and regulation-mandated groundwater monitoring, and leachate management. Post-closure costs involve the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. These costs generally include groundwater monitoring and leachate management. Regulatory post-closure periods are generally 30 years after landfill closure. Final closure and post-closure obligations are accrued on a units-of-consumption basis, such that the present value of the final closure and post-closure obligations are fully accrued at the date the landfill discontinues accepting waste.

Cell closure, final closure and post closure costs (also referred to as "asset retirement obligations") are calculated by estimating the total obligation in current dollars, adjusted for inflation (1.02% during 2015 and 2014) and discounted at the Company's credit-adjusted risk-free interest rate (5.99% and 6.54% during 2015 and 2014, respectively.)

Non-Landfill Closure and Post-Closure Liabilities

Non-landfill closure costs include costs required to dismantle and decontaminate certain structures and other costs incurred during the closure process. Post-closure costs, if required, include associated maintenance and monitoring costs as required by the closure permit. Post-closure periods are performance-based and are not generally specified in terms of years in the closure permit, but generally range from 10 to 30 years or more.

The Company records its non-landfill closure and post-closure liability by: (i) estimating the current cost of closing a non-landfill facility and the post-closure care of that facility, if required, based upon the closure plan that the Company is required to follow under its operating permit, or in the event the facility operates with a permit that does not contain a closure plan, based upon legally enforceable closure commitments made by the Company to various governmental agencies; (ii) using probability scenarios as to when in the future operations may cease; (iii) inflating the current cost of closing the non-landfill facility on a probability weighted basis using the inflation rate to the time of closing under each probability scenario; and (iv) discounting the future value of each closing scenario back to the present using the credit-adjusted risk-free interest rate. Non-landfill closure and post-closure obligations arise when the Company commences operations.

The balance of non-landfill closure and post-closure liabilities at December 31, 2015 and 2014 was $24.2 million and $20.8 million, respectively. Management bases estimates for non-landfill closure and post-closure liabilities on its interpretation of existing permit and regulatory requirements for closure and post-closure maintenance and monitoring. The Company's cost estimates are calculated using internal sources as well as input from third party experts. Management uses probability scenarios to estimate when future operations will cease and inflates the current cost of closing the non-landfill facility on a probability weighted basis using the appropriate inflation rate and then discounting the future value to arrive at an estimated present value of closure and post-closure costs. The estimates for non-landfill closure and post-closure liabilities are inherently uncertain due to the possibility that permit and regulatory requirements will change in the future, impacting the estimation of total costs and the timing of the expenditures. Management reviews non-landfill closure and post-closure liabilities for changes to key assumptions that would impact the amount of the recorded liabilities. Changes that would prompt management to revise a liability estimate include changes in legal requirements that impact the Company's expected closure plan or scope of work, in

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

the market price of a significant cost item, in the probability scenarios as to when future operations at a location might cease, or in the expected timing of the cost expenditures. Changes in estimates for non-landfill closure and post-closure events immediately impact the required liability and the value of the corresponding asset. If a change is made to a fully-consumed asset, the adjustment is charged immediately to expense. When a change in estimate relates to an asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of amortization. Historically, material changes to non-landfill closure and post-closure estimates have been infrequent.

Remedial Liabilities

The balance of remedial liabilities at December 31, 2015 and 2014 was $132.0 million and $155.1 million, respectively. Remedial liabilities, including Superfund liabilities, include the costs of removal or containment of contaminated material, treatment of potentially contaminated groundwater and maintenance and monitoring costs necessary to comply with regulatory requirements. Most of the Company's remedial liabilities relate to the active and inactive hazardous waste treatment and disposal facilities which the Company acquired in the last 14 years and 35 Superfund sites owned by third parties for which the Company agreed to indemnify certain remedial liabilities owed or potentially owed to governmental entities by the sellers of certain assets (the "CSD assets") which the Company acquired in 2002. The Company performed extensive due diligence to estimate accurately the aggregate liability for remedial liabilities to which the Company became potentially liable as a result of the acquisitions. The Company's estimate of remedial liabilities involved an analysis of such factors as: (i) the nature and extent of environmental contamination (if any); (ii) the terms of applicable permits and agreements with regulatory authorities as to cleanup procedures and whether modifications to such permits and agreements will likely need to be negotiated; (iii) the cost of performing anticipated cleanup activities based upon current technology; and (iv) in the case of Superfund and other sites where other parties will also be responsible for a portion of the cleanup costs, the likely allocation of such costs and the ability of such other parties to pay their share. Remedial liabilities and on-going operations are reviewed quarterly and adjustments are made as necessary.

The Company periodically evaluates potential remedial liabilities at sites that it owns or operates or to which the Company or the sellers of the CSD assets (or the respective predecessors of the Company or such sellers) transported or disposed of waste, including 128 Superfund sites as of December 31, 2015. The Company periodically reviews and evaluates sites requiring remediation, including Superfund sites, giving consideration to the nature (i.e., owner, operator, arranger, transporter or generator) and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operations or other relevant factors) of the Company's (or such sellers') alleged connection with the site, the extent (if any) to which the Company believes it may have an obligation to indemnify cleanup costs in connection with the site, the regulatory context surrounding the site, the accuracy and strength of evidence connecting the Company (or such sellers) to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs") and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred and an amount can be estimated, a provision is made, based upon management's judgment and prior experience, of such estimated liability.

Remedial liabilities are inherently difficult to estimate. Estimating remedial liabilities requires that the existing environmental contamination be understood. There are risks that the actual quantities of contaminants differ from the results of the site investigation, and that contaminants exist that have not been identified by the site investigation. In addition, the amount of remedial liabilities recorded is dependent on the remedial method selected. There is a risk that funds will be expended on a remedial solution that is not successful, which could result in the additional incremental costs of an alternative solution. Such estimates, which are subject to change, are subsequently revised if and when additional or new information becomes available.

Remedial liabilities are discounted only when the timing of the payments is estimable and the amounts are determinable. Management's experience has been that the timing of payments for remedial liabilities is not usually estimable, and therefore the amounts of remedial liabilities are not generally discounted. In the case of remedial liabilities assumed in connection with acquisitions, acquired liabilities are recorded under purchase accounting at fair value. Accordingly, as of the respective acquisition dates, the Company recorded the remedial liabilities assumed as part of acquisitions at their fair value, which were calculated by inflating costs in current dollars using an estimate of future inflation rates as of the respective acquisition dates until the expected time of payment, and then discounting the amount of the payments to their present value using a risk-free discount rate as of the acquisition dates. Discounts were and will be applied to the environmental liabilities as follows:

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Remedial liabilities assumed relating to acquisitions are and will continue to be inflated using the inflation rates at the time of each acquisition (ranging from 1.01% to 2.57%) until the expected time of payment, then discounted at the risk-free interest rate at the time of such acquisition (ranging from 2.88% to 5.99%).
- Remedial liabilities incurred subsequent to the acquisitions and remedial liabilities of the Company that existed prior to the acquisitions have been and will continue to be recorded at the estimated current value of the liabilities, which is usually neither increased for inflation nor reduced for discounting.

Foreign Currency

During the year ended December 31, 2015 and 2014, the Company had operations in Canada, and to a much lesser extent, Mexico and Trinidad. Assets and liabilities are translated to U.S. dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at the average exchange rate for the period. Gains and losses from the translation of the consolidated financial statements of foreign subsidiaries into U.S. dollars are included in stockholders' equity as a component of accumulated other comprehensive income. Gains and losses resulting from foreign currency transactions are recognized in the consolidated statements of income. Recorded balances that are denominated in a currency other than the functional currency are remeasured to the functional currency using the exchange rate at the balance sheet date and gains or losses are recorded in the statements of income.

Revenue Recognition and Deferred Revenue

During 2015, the Company provided environmental, energy, lodging and industrial services through six segments: Technical Services, Industrial and Field Services, Kleen Performance Products, SK Environmental Services, Lodging Services, and Oil and Gas Field Services. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is reasonably assured. Revenue is recognized net of estimated allowances. Revenue is generated by short-term projects, most of which are governed by master service agreements that are long-term in nature. The master service agreements are typically entered into with the Company's larger customers and outline the pricing and legal frameworks for such arrangements.

Due to the nature of the Company's business and the invoices that result from the services provided, customers may withhold payments and attempt to renegotiate amounts invoiced. Accordingly, management establishes a revenue allowance to cover the estimated amounts of revenue that may need to be credited to customers' accounts in future periods. The Company records a provision for revenue allowances based on specific review of particular customers, historical trends and other relevant information.

Technical Services revenue is generated from fees charged for hazardous material management and disposal services including onsite environmental management services, collection and transportation, packaging, recycling, treatment and disposal of hazardous and non-hazardous waste. Services are provided based on purchase orders or agreements with the customer and include prices based upon units of volume of waste, and transportation and other fees. Collection and transportation, and packaging revenues are recognized when the transported waste is received at the disposal facility. Revenues for treatment and disposal of hazardous waste are recognized upon completion of wastewater treatment, final disposition in a landfill or incineration of the waste, all at Company-owned sites, or when the waste is shipped to a third party for processing and disposal. Revenues from recycled oil and recycled catalyst are recognized upon shipment to the customer. Revenue for all other Technical Services is recognized when services are rendered. The Company, at the request of a customer, periodically enters into bundled arrangements for the collection and transportation and disposal of waste. The Company accounts for such arrangements as multiple-element arrangements with separate units of accounting. The Company measures and allocates the consideration from the arrangement to the separate units, based on evidence of the estimated selling price for each deliverable. Revenues from waste that is not yet completely processed and disposed and the related costs are deferred. The revenue is recognized and the deferred costs are expensed when the related services are completed.

Industrial Services provides industrial and specialty services, such as high-pressure and chemical cleaning, catalyst handling, decoking and pigging to refineries, chemical plants, oil sands facilities, pulp and paper mills, and other industrial facilities. These services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. Revenues are recognized over the term of the agreements or as services are performed. Field Services provides cleanup services on customer sites or other locations on a scheduled or

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

emergency response basis. The Company's services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. Revenues are recorded as services are performed. Revenue is recognized on contracts with retainage when services have been rendered and collectability is reasonably assured.

Kleen Performance Products revenue is generated from re-refining used oil to produce high quality base and blended lubricating oils, and recycling used oil collected in excess of the Company's re-refining capacity into recycled fuel oil. The high quality base and blended lubricating oils are sold to third-party distributors, retailers, government agencies, fleets, railroads and industrial customers. The recycled fuel oil is sold to asphalt plants, industrial plants, blenders, pulp and paper companies, vacuum gas oil producers and marine diesel oil producers. Revenue is recognized upon the transfer of title.

SK Environmental Services revenue is generated from providing parts cleaning services, containerized waste services, oil collection services and other complementary products and services. Revenue is recognized when products are delivered and services are performed. Parts cleaning services generally consist of placing a specially designed parts washer at a customer's premises and then, on a recurring basis, delivering clean solvent or aqueous-based washing fluid, cleaning and servicing the parts washer and removing the used solvent or aqueous fluid. The Company also services customer-owned parts washers. Revenue from parts cleaning services is recognized over the service interval. Service intervals represent the actual amount of time between service visits to a particular parts cleaning customer. Average service intervals vary from seven to 14 weeks depending on several factors, such as customer accommodation, types of machines serviced and frequency of use. Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of hazardous and non-hazardous wastes. Collection and transportation, and packaging revenues are recognized when the transported waste is received at the disposal facility. Revenues for treatment and disposal of the waste is recognized upon disposal, or when the waste is shipped to a third party for processing and disposal. Other complementary products and services include vacuum services, sale of allied supply products and other environmental services.

Lodging Services provides accommodation services, along with catering and hospitality primarily in remote areas of Western Canada. In addition, within Lodging Services is a manufacturing unit that provides construction of modular buildings including modular camp accommodations and wastewater solutions. Revenue for lodging and related services is recognized in the period each room is used by the customer based on the related lodging agreements. Revenue for manufacturing services is recognized based on contracted terms resulting in either a percentage of completion methodology or upon transfer of ownership of completed units.

Oil and Gas Field Services provides fluid handling, fluid hauling, production servicing, surface rentals, seismic services, and directional boring services to the energy sector serving oil and gas exploration and production and power generation. These services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. Revenues for such services are recognized over the term of the agreements or as services are performed. Oil and Gas Field Services also provides equipment rentals to support drill sites. Revenue from rentals is recognized ratably over the rental period.

For all periods presented, amounts billed to customers related to shipping and handling are classified as revenue and the Company's shipping and handling costs are included in costs of revenues. In the course of the Company's operations, it collects sales tax from its customers and recognizes a current liability which is then relieved when the taxes are remitted to the appropriate governmental authorities. The Company excludes the sales tax collected from its revenues.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was approximately $15.0 million in 2015, $11.3 million in 2014 and $10.8 million in 2013.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally represents the vesting period, and includes an estimate of awards that will be forfeited. In addition, the Company issues awards with performance targets which are recognized as expense over the requisite service period when management believes it is probable those targets will be achieved. The fair value of the

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company's grants of restricted stock are based on the quoted market price for the Company's common stock on the respective dates of grant. The fair value of stock options is calculated using the Black-Scholes option-pricing model. Compensation
expense is based on the number of awards expected to vest. Forfeitures estimated when recognizing compensation expense are adjusted when actual forfeitures differ from the estimate.

Income Taxes

There are two major components of income tax expense, current and deferred. Current income tax expense approximates cash to be paid or refunded for taxes for the applicable period. Deferred tax expense or benefit is the result of changes between deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement basis and tax basis of assets and liabilities as well as from net operating loss and tax credit carryforwards as measured by the enacted tax rates, which will be in effect when these differences reverse. The Company evaluates the recoverability of future tax deductions and credits and a valuation allowance is established by tax jurisdiction when, based on an evaluation of objective verifiable evidence, it is more likely than not that some portion or all of deferred tax assets will not be realized.

The Company recognizes and measures a tax benefit from uncertain tax positions when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate or future recognition of an unrecognized benefit. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of income. Accrued interest and penalties are included within deferred taxes, unrecognized tax benefits and other long-term liabilities line in the consolidated balance sheet.

Earnings (Loss) per Share ("EPS")

Basic EPS is calculated by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all potentially dilutive common shares that were outstanding during the period.

Business Combinations

For all business combinations, the Company records 100% of all assets and liabilities of the acquired business, including goodwill, at their estimated fair values. Acquisition-related costs are expensed in the period in which the costs are incurred and the services are received.

Recent Accounting Pronouncements

Standards implemented

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360). The amendments in ASU 2014-08 provide guidance for the recognition and disclosure of discontinued operations. The adoption of ASU 2014-08 did not have an impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized liability in the balance sheet be presented as a direct deduction to that liability rather than as an asset. Final guidance on this standard, issued as ASU 2015-15 in August 2015, includes an SEC staff announcement that the SEC staff will not object to an entity presenting the cost of securing a revolving line of credit as an asset, regardless of whether a balance is outstanding. The Company elected to early adopt this new standard beginning December 31, 2015 and retrospectively reclassified $14.9 million of debt issuance costs associated with the Company's long-term obligations as of December 31, 2014 from other assets to long-term obligations. This reclassification only affected presentation and therefore did not have an impact on the Company’s results

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(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

of operations. Costs associated with securing the Company's revolving credit facility remained presented as Deferred financing costs within the Other assets section of the consolidated balance sheets for all periods presented.

In November 2015, FASB issued ASU 2015-17, Income Taxes (Topic 740). The amendment provides guidance to simplify the presentation of deferred taxes by requiring that deferred liabilities and assets be classified as noncurrent in a classified balance sheet. The Company elected to early adopt this new standard beginning December 31, 2015 and prospectively applied ASU 2015-17, therefore deferred tax balances presented for periods prior to December 31, 2015 have not been recast in connection with the implementation of this standard. The adoption of this standard only affects the classification of deferred tax amounts and has no impact on the Company's results of operations.

Standards to be implemented

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In August 2015, FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 for all entities by one year. This new guidance is currently effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810). The amendment provides guidance regarding amendments to the consolidation analysis. The amendments in this update are currently effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015.

In January 2016, FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10). The amendment provides guidance to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendment in this update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

The Company is currently evaluating the impact that the above standards to be implemented will have on the Company's consolidated financial statements.

In July 2015, FASB issued ASU 2015-11, Inventory (Topic 330). The amendment provides guidance regarding the measurement of inventory. Entities should measure inventory within the scope of this update at the lower of cost and net realizable value. The amendments in this update are currently effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

In September 2015, FASB issued ASU 2015-16, Business Combinations (Topic 805). The amendment provides guidance to simplify the accounting for adjustments made to provisional amounts recognized in a business combination. This amendment eliminates the requirement to retrospectively account for those adjustments. The amendment in this update is currently effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

(3) BUSINESS COMBINATIONS

2015 Acquisitions

Thermo Fluids Inc.

On April 11, 2015, the Company completed the acquisition of Heckmann Environmental Services, Inc. (“HES”) and Thermo Fluids Inc. (“TFI”), a wholly-owned subsidiary of HES. The acquisition was accomplished through a purchase by Safety-Kleen, Inc., a wholly-owned subsidiary of the Company, of all of the issued and outstanding shares of HES from Nuverra Environmental Solutions, Inc. HES is a holding company that does not conduct any operations. TFI provides environmental services, including used oil recycling, used oil filter recycling, antifreeze products, parts washers and solvent recycling, and industrial waste management services, including vacuum services, remediation, lab pack and hazardous waste

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(3) BUSINESS COMBINATIONS (Continued)
management. The Company acquired TFI for an estimated preliminary purchase price of $78.6 million inclusive of current estimates of and subject to certain closing and post-closing adjustments relating to working capital and other assumed liabilities. The acquisition was financed with cash on hand and expands the Company’s environmental services customer base while also complimenting the SK Environmental Services network and presence in the western United States. The amount of
revenue from TFI included in the Company's results of operations for the year ended December 31, 2015 was $33.8 million. During the year ended December 31, 2015, the Company incurred acquisition-related costs of approximately $0.6 million in connection with the transaction which are primarily included in selling, general and administrative expenses in the consolidated statements of income. Results of TFI since acquisition have been included within the SK Environmental Services segment.

The allocation of the purchase price was based on preliminary estimates of the fair value of assets acquired and liabilities assumed as of April 11, 2015, as the Company is continuing to obtain information to complete its valuation of these accounts and the associated tax accounting. The components and preliminary allocation of the purchase price consist of the following amounts (in thousands):

| | At acquisition date April 11, 2015 | Measurement Period Adjustments | At acquisition date as reported at December 31, 2015 |
|---|---|---|---|
| Accounts Receivable | $7,109 | $476 | $7,585 |
| Inventories and supplies | 1,791 | — | 1,791 |
| Prepaid expenses and other current assets | 1,749 | (1,084) | 665 |
| Property, plant and equipment | 30,468 | (1,606) | 28,862 |
| Permits and other intangibles | 20,000 | (1,900) | 18,100 |
| Current liabilities | (5,859) | 14 | (5,845) |
| Closure and post-closure liabilities | (1,676) | — | (1,676) |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | (13,081) | 3,051 | (10,030) |
| Total identifiable net assets | 40,501 | (1,049) | 39,452 |
| Goodwill | 36,591 | 2,543 | 39,134 |
| Total | $77,092 | $1,494 | $78,586 |

Pro forma revenue and earnings amounts on a combined basis as if TFI had been acquired on January 1, 2015 are immaterial to the consolidated financial statements of the Company since that date.

Other 2015 Acquisitions
In December 2015, the Company acquired certain assets and assumed certain defined liabilities of a privately owned company for approximately $14.7 million in cash. That company specializes in the collection and recycling of used oil filters and was a service provider to the SK Environmental Services segment prior to the acquisition. The acquired company has been integrated into the SK Environmental Services segment. In connection with this acquisition a preliminary goodwill amount of $7.4 million was recognized.
2014 Acquisitions
In 2014, the Company acquired the assets of two privately owned companies for approximately $16.1 million in cash, net of cash acquired. The acquired companies have been integrated into the Technical Services and Lodging Services segments.
2013 Acquisitions

Evergreen

On September 13, 2013, the Company acquired all of the outstanding shares of Evergreen Oil, Inc. (“Evergreen”) for a final purchase price of $56.3 million in cash, net of cash acquired. Evergreen, headquartered in Irvine, California, specializes in the recovery and re-refining of used oil. Evergreen owns and operates one of the only oil re-refining operations in the Western United States and also offers other ancillary environmental services, including parts cleaning and containerized waste services, vacuum services and hazardous waste management services. The acquisition of Evergreen enables the Company to further penetrate the small quantity waste generator market and further expand its oil re-refining, oil recycling and waste treatment capabilities. Financial information and results of Evergreen have been recorded in the Company's consolidated financial statements since acquisition and are primarily included in the Kleen Performance Products segment.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) BUSINESS COMBINATIONS (Continued)

Management determined the purchase price allocations based on estimates of the fair values of all tangible and intangible assets acquired and liabilities assumed. The Company believes that such information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed. The Company finalized the purchase accounting for the acquisition of Evergreen. The impact of the purchase price measurement period adjustments and related tax impacts recorded in the current period was not material to the consolidated financial statements and accordingly the effects have not been retrospectively applied.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at September 13, 2013 (in thousands):

| | Preliminary Allocations | Measurement Period Adjustments | Final Allocations |
|---|---|---|---|
| Inventories and supplies | $1,089 | $— | $1,089 |
| Prepaid expense and other current assets | 1,291 | (273) | 1,018 |
| Property, plant and equipment | 40,563 | — | 40,563 |
| Permits and other intangibles | 17,100 | — | 17,100 |
| Deferred tax assets, less current portion | 2,368 | (2,368) | — |
| Other assets | 3,607 | (239) | 3,368 |
| Current liabilities | (6,198) | (552) | (6,750) |
| Closure and post-closure liabilities | (659) | — | (659) |
| Remedial liabilities, less current portion | (2,103) | 463 | (1,640) |
| Other long-term liabilities | (1,139) | (920) | (2,059) |
| Total identifiable net assets | 55,919 | (3,889) | 52,030 |
| Goodwill | — | 4,288 | 4,288 |
| Total | $55,919 | $399 | $56,318 |

(4) INVENTORIES AND SUPPLIES

Inventories and supplies consisted of the following (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Oil and oil products | $33,603 | $62,111 |
| Supplies and drums | 78,132 | 68,547 |
| Solvent and solutions | 8,868 | 9,355 |
| Modular camp accommodations | 15,126 | 15,776 |
| Other | 13,792 | 12,874 |
| Total inventories and supplies | $149,521 | $168,663 |

As of December 31, 2015 and 2014, other inventories consisted primarily of cleaning fluids, such as absorbents and wipers, and automotive fluids, such as windshield washer fluid and antifreeze.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment consisted of the following (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Land | $100,582 | $98,507 |
| Asset retirement costs (non-landfill) | 12,434 | 10,871 |
| Landfill assets | 136,624 | 110,984 |
| Buildings and improvements | 344,209 | 338,242 |
| Camp equipment | 149,361 | 180,575 |
| Vehicles | 500,619 | 471,615 |
| Equipment | 1,328,915 | 1,302,424 |
| Furniture and fixtures | 5,337 | 5,517 |
| Construction in progress | 113,657 | 45,605 |
| | 2,691,738 | 2,564,340 |
| Less - accumulated depreciation and amortization | 1,159,271 | 1,005,506 |
| Total property, plant and equipment, net | $1,532,467 | $1,558,834 |

Interest in the amount of $2.0 million, $0.5 million and $0.9 million was capitalized to fixed assets during the years ended December 31, 2015, 2014 and 2013, respectively. Depreciation expense, inclusive of landfill amortization was $234.0 million, $239.4 million and $229.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(6) GOODWILL AND OTHER INTANGIBLE ASSETS
The changes in goodwill for the years ended December 31, 2015 and 2014 were as follows (in thousands):

| | Technical Services | Industrial and Field Services | Kleen Performance Products | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Totals |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $45,599 | $109,873 | $ 171,161 | $ 172,309 | $35,512 | $36,506 | $570,960 |
| Acquired from acquisitions | 5,018 | — | — | — | 2,383 | — | 7,401 |
| Measurement period adjustments | — | — | 4,288 | — | — | — | 4,288 |
| Goodwill impairment charge | — | — | (123,414) | — | — | — | (123,414) |
| Foreign currency translation and other | (525) | (659) | (1,152) | 1,564 | (3,032) | (2,762) | (6,566) |
| Balance at December 31, 2014 | $50,092 | $109,214 | $ 50,883 | $ 173,873 | $34,863 | $33,744 | $452,669 |
| Acquired from acquisitions | — | — | — | 46,539 | — | — | 46,539 |
| Measurement period adjustments | — | — | — | — | 3,574 | — | 3,574 |
| Goodwill impairment charge | — | — | — | — | — | (31,992) | (31,992) |
| Foreign currency translation and other | (825) | (3,928) | (1,128) | (3,823) | (6,229) | (1,752) | (17,685) |
| Balance at December 31, 2015 | $49,267 | $105,286 | $ 49,755 | $ 216,589 | $32,208 | $— | $453,105 |

The Company assesses goodwill for impairment on an annual basis as of December 31, or at an interim date when events or changes in the business environment would more likely than not reduce the fair value of a reporting unit below its carrying value.

During the second quarter of 2015, certain events and changes in circumstances arose which led management of the Company to conclude that the fair value of the Oil and Gas Field Services reporting unit may be less than its carrying value and therefore an interim impairment test was conducted relative to goodwill recorded by the Oil and Gas Field Services reporting unit. The primary events and changes in circumstances which led to this conclusion were:

(6) GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

- The second quarter is the period of time where greater levels of communication with customers and the receipt of bids and proposals for project work take place and provide management with more clarity into levels of activity and other economic and business indicators for the latter half of the fiscal year and on into the first quarter of the following year. During the quarter ended June 30, 2015, it became apparent that oil and gas exploration and production activity would continue to be lower than historical periods and lower than previously anticipated by the Company. This was evidenced by reduced volume in bid and proposal requests from customers and communications indicating the reduction in customer budgets in these areas as well as lower than anticipated pricing for our services.

- Market and industry reports which management looks to in projecting business conditions and establishing forecast information evidenced more pessimistic views in the near term. The continued depressed price of oil without any upward momentum since December 2014, as well as declining and expected continued decline in rig count for the remainder of 2015, resulted in lower estimates of industry activity in the second half of 2015 and early 2016.

- In recognition of lower than anticipated business results and less optimistic market indicators, management significantly lowered its 2015 forecasts relative to the Oil and Gas Field Services reporting unit.

In performing Step I of this interim goodwill impairment test, the estimated fair value of the Oil and Gas Field Services reporting unit was determined using an income approach based upon discounted cash flows and was compared to the reporting unit's carrying value as of June 30, 2015. Based on the results of that valuation, the carrying amount of the reporting unit, including $32.0 million of goodwill, exceeded its estimated fair value and as a result the Company performed Step II of the goodwill impairment test to determine the amount of goodwill impairment charge to be recorded.

Step II of the goodwill impairment test required the Company to perform a theoretical purchase price allocation for the reporting unit to determine the implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount. The estimates of the fair values of intangible assets identified in performing this theoretical purchase price allocation and resulting implied fair value of goodwill required significant judgment. Based on the results of this goodwill impairment test the implied value of goodwill was $0 and as such the Company recognized a goodwill impairment charge equal to the recorded amount of goodwill of $32.0 million as of June 30, 2015.

The factors contributing to the $32.0 million goodwill impairment charge principally related to events and changes in circumstances discussed above which had negative impacts on the Company’s prospective financial information utilized in its discounted cash flow model prepared in connection with the interim impairment test. The projected lower levels of activity and pricing in the latter half of the year which became evident during the second quarter decreased the reporting unit’s anticipated future cash flows for 2015 as compared to those estimated previously. These factors also provided evidence of a longer than expected overall recovery from current industry lows which negatively impacted the estimated levels of cash flows in future periods that were assumed in the cash flow models utilized in the interim impairment test. These factors adversely affected the estimated fair value of the reporting unit as of June 30, 2015 and ultimately led to the recognition of the goodwill impairment charge.

During the third quarter of 2014 the Company recorded a goodwill impairment charge of $123.4 million related to goodwill associated with the Kleen Performance Products segment.

In performing Step I of this goodwill impairment test, the estimated fair value of the Oil Re-refining and Recycling reporting unit was determined using an income approach based upon discounted cash flows and was compared to the reporting unit's carrying value as of September 30, 2014. Based on the results of that valuation, the carrying amount of the reporting unit, including $174.3 million of goodwill, exceeded its estimated fair value and as a result the Company performed Step II of the goodwill impairment test to determine the amount of goodwill impairment charge to be recorded.

Step II of the goodwill impairment test required the Company to perform a theoretical purchase price allocation for the reporting unit to determine the implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount. The estimates of the fair values of intangible assets identified in performing this theoretical purchase price allocation and resulting implied fair value of goodwill required significant judgment. Based on the results of this goodwill impairment
test, the Company recognized a goodwill impairment charge for the Oil Re-refining and Recycling segment of $123.4 million as of September 30, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)
The factors contributing to this goodwill impairment charge principally related to decreases in market prices of oil products sold by the Kleen Performance Products business which took place during the third quarter of 2014. These decreasing market prices negatively impacted the profitability of the Oil Re-refining and Recycling segment and further resulted in lower assumptions for future revenues and profits of the business. These factors adversely affected the estimated fair value of the reporting unit as of September 30, 2014 and ultimately led to the recognition of the goodwill impairment charge.

The Company conducted its annual impairment test of goodwill for all of the Company's reporting units as of December 31, 2015 and determined that no adjustment to the carrying value of goodwill for any reporting unit was necessary because the fair values of the reporting units exceeded their respective carrying values. The fair value of all reporting units was determined using an income approach based upon estimates of future discounted cash flows. The resulting estimates of fair value were validated through the consideration of other factors such as the fair value of comparable companies to the reporting units and a reconciliation of the sum of all estimated fair values of the reporting units to the Company’s overall market capitalization. In all cases except for the Company's Kleen Performance Products reporting unit, the estimated fair values of the reporting units significantly exceeded their carrying values.

Significant judgments and unobservable inputs categorized as Level III in the fair value hierarchy are inherent in the impairment tests performed and include assumptions about the amount and timing of expected future cash flows, growth rates, and the determination of appropriate discount rates. The Company believes that the assumptions used in its annual and any interim date impairment tests are reasonable, but variations in any of the assumptions may result in different calculations of fair values and impairment charges.
The impacts of any adverse business and market conditions which impact the overall performance of the Company's reporting units will continue to be monitored. If the Company's reporting units do not achieve the financial performance that the Company expects, it is possible that additional goodwill impairment charges may result. There can therefore be no assurance that future events will not result in an impairment of goodwill.
At December 31, 2015, the total accumulated goodwill impairment charge was $155.4 million, of which $32.0 million was recorded during the year ended December 31, 2015 within the Oil and Gas Field Services segment and $123.4 million was recorded in the Kleen Performance Products segment during the year ended December 31, 2014.
As of December 31, 2015 and 2014, the Company's finite-lived and indefinite lived intangible assets consisted of the following (in thousands):

| | December 31, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net | Weighted Average Amortization Period (in years) | Cost | Accumulated Amortization | Net | Weighted Average Amortization Period (in years) |
| Permits | $161,396 | $ 61,142 | $100,254 | 19.0 | $156,692 | $ 55,318 | $101,374 | 19.0 |
| Customer and supplier relationships | 374,866 | 99,463 | 275,403 | 10.1 | 370,373 | 77,697 | 292,676 | 11.0 |
| Other intangible assets | 31,416 | 22,581 | 8,835 | 1.5 | 31,540 | 19,074 | 12,466 | 3.2 |
| Total amortizable permits and other intangible assets | 567,678 | 183,186 | 384,492 | 10.0 | 558,605 | 152,089 | 406,516 | 11.4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Trademarks and trade names | 122,326 | — | 122,326 | Indefinite | 123,564 | — | 123,564 | Indefinite |
| Total permits and other intangible assets | $690,004 | $ 183,186 | $506,818 | | $682,169 | $ 152,089 | $530,080 | |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)
As of December 31, 2015, the Oil and Gas Field Services segment group had property, plant and equipment, net of $156.3 million, other intangible assets of $14.9 million consisting of customer and supplier relationships of $8.2 million and other intangible assets of $6.7 million. Based on analyses performed during 2015 which were conducted based upon the same circumstances which triggered the goodwill impairment charge recorded, sufficient undiscounted cash flows are expected to be generated over these assets' remaining lives to recover the carrying values and thus no impairment exists. If expectations of future cash flows were to decrease in the future as a result of worse than expected or prolonged periods of depressed activity in the Oil and Gas Field Services marketplace, future impairments may exist.
Amortization expense of permits and other intangible assets for the years ended December 31, 2015, 2014 and 2013 were $40.2 million, $36.7 million and $35.1 million, respectively.
The expected amortization of the net carrying amount of finite-lived intangible assets at December 31, 2015 is as follows(in thousands):

| Years Ending December 31, | Expected Amortization |
|---|---|
| 2016 | $37,902 |
| 2017 | 33,081 |
| 2018 | 30,450 |
| 2019 | 27,926 |
| 2020 | 25,539 |
| Thereafter | 229,594 |
| | $384,492 |

(7) ACCRUED EXPENSES
Accrued expenses consisted of the following at December 31 (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Insurance | $55,899 | $58,931 |
| Interest | 20,500 | 20,527 |
| Accrued compensation and benefits | 35,646 | 59,006 |
| Income, real estate, sales and other taxes | 37,095 | 38,297 |
| Other | 44,520 | 42,788 |
| | $193,660 | $219,549 |

CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (8) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as "asset retirement obligations") from January 1, 2014 through December 31, 2015 were as follows (in thousands):

| | Landfill Retirement Liability | Non-Landfill Retirement Liability | Total |
|---|---|---|---|
| Balance at January 1, 2014 | $27,604 | $19,481 | $47,085 |
| New asset retirement obligations | 3,595 | — | 3,595 |
| Accretion | 2,583 | 1,875 | 4,458 |
| Changes in estimates recorded to statement of income | (722) | 73 | (649) |
| Changes in estimates recorded to balance sheet | (1,304) | — | (1,304) |
| Expenditures | (1,580) | (546) | (2,126) |
| Currency translation and other | (244) | (114) | (358) |
| Balance at December 31, 2014 | 29,932 | 20,769 | 50,701 |
| Liabilities assumed in TFI acquisition | — | 1,676 | 1,676 |
| New asset retirement obligations | 3,151 | — | 3,151 |
| Accretion | 2,516 | 2,122 | 4,638 |
| Changes in estimates recorded to statement of income (loss) | (162) | 205 | 43 |
| Changes in estimates recorded to balance sheet | 2,942 | — | 2,942 |
| Expenditures | (5,946) | (177) | (6,123) |
| Currency translation and other | (410) | (369) | (779) |
| Balance at December 31, 2015 | $32,023 | $24,226 | $56,249 |

All of the landfill facilities included in the above table were active as of December 31, 2015 and 2014. There were no significant charges (benefits) in 2015 and 2014 resulting from changes in estimates for closure and post-closure liabilities.

New asset retirement obligations incurred during 2015 and 2014 were discounted at the credit-adjusted risk-free rate of 5.99% and 6.54%, respectively.

Anticipated payments (based on current estimated costs and anticipated timing of necessary regulatory approvals to commence work on closure and post-closure activities) for each of the next five years and thereafter are as follows (in thousands):

| | |
|---|---|
| Year ending December 31, | |
| 2016 | $8,160 |
| 2017 | 9,061 |
| 2018 | 9,001 |
| 2019 | 7,621 |
| 2020 | 3,442 |
| Thereafter | 262,365 |
| Undiscounted closure and post-closure liabilities | 299,650 |
| Less: Discount at credit-adjusted risk-free rate | (156,145) |
| Less: Undiscounted estimated closure and post-closure liabilities relating to airspace not yet consumed | (87,256) |
| Present value of closure and post-closure liabilities | $56,249 |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) REMEDIAL LIABILITIES
The changes to remedial liabilities from January 1, 2014 through December 31, 2015 were as follows (in thousands):

| | Remedial Liabilities for Landfill Sites | Remedial Liabilities for Inactive Sites | Remedial Liabilities (Including Superfund) for Non-Landfill Operations | Total |
|---|---|---|---|---|
| Balance at January 1, 2014 | $5,624 | $74,262 | $92,612 | $172,498 |
| Adjustments during the measurement period related to Evergreen | — | — | (536) | (536) |
| Accretion | 266 | 2,975 | 2,913 | 6,154 |
| Changes in estimates recorded to statement of income (loss) | (113) | (2,645) | 40 | (2,718) |
| Expenditures | (109) | (5,940) | (12,070) | (18,119) |
| Currency translation and other | (248) | (124) | (1,786) | (2,158) |
| Balance at December 31, 2014 | 5,420 | 68,528 | 81,173 | 155,121 |
| Accretion | 218 | 2,924 | 2,622 | 5,764 |
| Changes in estimates recorded to statement of income (loss) | (2,841) | (2,927) | (5,620) | (11,388) |
| Expenditures | (137) | (4,779) | (9,091) | (14,007) |
| Currency translation and other | (333) | (133) | (3,032) | (3,498) |
| Balance at December 31, 2015 | $2,327 | $63,613 | $66,052 | $131,992 |

In 2015, the net reduction in the Company's remedial liabilities from changes in estimates recorded to the statement of income (loss) was $11.4 million and primarily related to reductions in the estimates for remedial activities at four locations. Events which occurred during 2015 and resulted in the changes in estimates were attributable to favorable outcomes from negotiations amongst potentially responsible parties which the Company participates in of $3.8 million, the results of work performed by external third party consultants who were engaged to aid the Company in estimating future remedial activity costs at certain sites of $4.7 million and the result of receiving Provincial approval for a planned expansion of one of the Company's landfills in Canada which as a result will remediate the Company's previously recognized obligations of $2.5 million.
In 2014, the reduction in changes in estimates recorded to the statement of income (loss) was primarily related to estimated cost adjustments for remediation across various sites.
Anticipated payments at December 31, 2015 (based on current estimated costs and anticipated timing of necessary regulatory approvals to commence work on remedial activities) for each of the next five years and thereafter were as follows (in thousands):

| | |
|---|---|
| Year ending December 31, | |
| 2016 | $13,525 |
| 2017 | 14,004 |
| 2018 | 15,907 |
| 2019 | 10,626 |
| 2020 | 9,963 |
| Thereafter | 94,116 |
| Undiscounted remedial liabilities | 158,141 |
| Less: Discount | (26,149) |
| Total remedial liabilities | $131,992 |

Based on currently available facts and legal interpretations, existing technology, and presently enacted laws and regulations, the Company estimates that its aggregate liabilities as of December 31, 2015 for future remediation relating to all of its owned or leased facilities and the Superfund sites for which the Company has current or potential future liability is approximately $132.0 million. The Company also estimates that it is reasonably possible that the amount of such total liabilities could be as much as $23.6 million more. Future changes in either available technology or applicable laws or regulations could

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) REMEDIAL LIABILITIES (Continued)
affect such estimates of remedial liabilities. Since the Company's satisfaction of the liabilities will occur over many years, the Company cannot now reasonably predict the nature or extent of future changes in either available technology or applicable laws or regulations and the impact that those changes, if any, might have on the current estimates of remedial liabilities.
The following tables show, respectively, (i) the amounts of such estimated liabilities associated with the types of facilities and sites involved and (ii) the amounts of such estimated liabilities associated with each facility or site which represents at least 5% of the total and with all other facilities and sites as a group and as of December 31, 2015.
Estimates Based on Type of Facility or Site (in thousands):

| Type of Facility or Site | Remedial Liability | % of Total | | Reasonably Possible Additional Liabilities(1) |
|---|---|---|---|---|
| Facilities now used in active conduct of the Company's business (47 facilities) | $59,022 | 44.7 | % | $12,157 |
| Inactive facilities not now used in active conduct of the Company's business but most of which were acquired because the assumption of remedial liabilities for such facilities was part of the purchase price for the CSD assets (40 facilities) | 63,613 | 48.2 | | 10,543 |
| Superfund sites owned by third parties (17 sites) | 9,357 | 7.1 | | 936 |
| Total | $131,992 | 100.0 | % | $23,636 |

(1) Amounts represent the high end of the range of management's best estimate of the reasonably possible additional liabilities.

Estimates Based on Amount of Potential Liability (in thousands):

| Location | Type of Facility or Site | Remedial Liability | % of Total | | Reasonably Possible Additional Liabilities(1) |
|---|---|---|---|---|---|
| Baton Rouge, LA(2) | Closed incinerator and landfill | $23,572 | 17.9 | % | $3,931 |
| Bridgeport, NJ | Closed incinerator | 18,623 | 14.1 | | 2,568 |
| Mercier, Quebec(2) | Idled incinerator and legal proceedings | 9,012 | 6.8 | | 947 |
| Linden, NJ | Operating solvent recycling center | 8,069 | 6.1 | | 867 |
| Various(2) | All other incinerators, landfills, wastewater treatment facilities and service centers (83 facilities) | 63,359 | 48.0 | | 14,387 |
| Various(2) | Superfund sites (each representing less than 5% of total liabilities) owned by third parties (17 sites) | 9,357 | 7.1 | | 936 |
| Total | | $131,992 | 100.0 | % | $23,636 |

(1) Amounts represent the high end of the range of management's best estimate of the reasonably possible additional liabilities.
(2) $18.9 million of the $132.0 million remedial liabilities and $1.9 million of the $23.6 million reasonably possible additional liabilities include estimates of remediation liabilities related to the legal and administrative proceedings discussed in Note 16, "Commitments and Contingencies," as well as other such estimated remedial liabilities.

Revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. The Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. It is possible, however, that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could necessitate the recording of additional liabilities or the revision of currently recorded liabilities that could be material. The impact of such future events cannot be estimated at the current time.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) FINANCING ARRANGEMENTS
The following table is a summary of the Company's financing arrangements (in thousands):

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Senior unsecured notes, at 5.25%, due August 1, 2020 | $800,000 | $800,000 |
| Senior unsecured notes, at 5.125%, due June 1, 2021 | 595,000 | 595,000 |
| Long-term obligations, at par | $1,395,000 | $1,395,000 |
| Unamortized debt issuance costs | $(12,457) | $(14,855) |
| Long-term obligations, at carrying value | $1,382,543 | $1,380,145 |

Senior Unsecured Notes, at 5.25%, due August 1, 2020. On July 30, 2012, the Company issued through a private placement $800.0 million aggregate principal amount of 5.25% senior unsecured notes due August 1, 2020 ("2020 Notes") with semi-annually fixed interest payments on February 1 and August 1 of each year, which commenced on February 1, 2013. On November 16, 2012, the Company completed an exchange offer for the unregistered 2020 Notes originally issued in the private placement for an equivalent amount of 2020 Notes the Company had registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement which became effective in October 2012. At December 31, 2015 and December 31, 2014, the fair value of the Company's 2020 Notes was $812.0 million and $804.0 million, respectively, based on quoted market prices for the instrument. The fair value of the 2020 Notes is considered a Level 2 measure according to the fair value hierarchy.
The Company may redeem some or all of the 2020 Notes at any time on or after August 1, 2016 upon proper notice, at the following redemption prices plus unpaid interest:

| Year | Percentage |
|---|---|
| 2016 | 102.625% |
| 2017 | 101.313% |
| 2018 and thereafter | 100.000% |

At any time, or from time to time, prior to August 1, 2016, the Company may also redeem some or all of the 2020 Notes at a redemption price of 100% of the principal amount plus a make-whole premium and any accrued and unpaid interest.
The 2020 Notes and the related indenture contain various customary non-financial covenants and are guaranteed by substantially all of the Company's current and future domestic restricted subsidiaries. The 2020 Notes are the Company's and the guarantors' senior unsecured obligations ranking equally with the Company's and the guarantors' existing and future senior unsecured obligations and senior to any future indebtedness that is expressly subordinated to the 2020 Notes and the guarantees. The 2020 Notes and the guarantees rank effectively junior in right of payment to the Company's and the guarantors' secured indebtedness (including loans and reimbursement obligations in respect of outstanding letters of credit) under the Company's revolving credit facility and capital lease obligations to the extent of the value of the assets securing such secured indebtedness. The 2020 Notes are not guaranteed by the Company's Canadian or other foreign subsidiaries, and the 2020 Notes are structurally subordinated to all indebtedness and other liabilities, including trade payables, of the Company's subsidiaries that are not guarantors of the 2020 Notes.
Senior Unsecured Notes, at 5.125%, due June 1, 2021. On December 7, 2012, the Company issued through a private placement $600.0 million aggregate principal amount of 5.125% senior unsecured notes due 2021 ("2021 Notes"). The Company used the net proceeds from such private placement to fund a portion of the purchase price to acquire Safety-Kleen. On May 21, 2013, the Company completed an exchange offer for the unregistered 2021 Notes originally issued in the private placement for an equivalent amount of 2021 Notes the Company had registered under the Securities Act pursuant to a registration statement which became effective in April 2013. The Company repurchased $5.0 million principal amount of the 2021 Notes during 2014. At December 31, 2015 and 2014, the fair value of the Company's 2021 Notes was $599.5 million and $595.0 million, respectively, based on quoted market prices or other available market data. The fair value of the 2021 Notes is considered a Level 2 measure according to the fair value hierarchy.

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(10) FINANCING ARRANGEMENTS (Continued)

The principal terms of the 2021 Notes are as follows:

The 2021 Notes will mature on June 1, 2021. The notes bear interest at a rate of 5.125% per annum. Interest is payable semi-annually on June 1 and December 1 of each year. The Company may redeem some or all of the 2021 Notes at any time on or after December 1, 2016 upon proper notice, at the following redemption prices plus unpaid interest: .

| Year | Percentage | |
|---|---|---|
| 2016 | 102.563 | % |
| 2017 | 101.281 | % |
| 2018 and thereafter | 100.000 | % |

At any time, or from time to time, prior to December 1, 2016, the Company may redeem some or all of the 2021 Notes at a price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest.

The 2021 Notes and the related indenture contain various customary non-financial covenants and are guaranteed by substantially all the Company's current and future domestic restricted subsidiaries. The 2021 Notes are the Company's and the guarantors' senior unsecured obligations ranking equally with the Company's and the guarantors' existing and future senior unsecured obligations and senior to any future indebtedness that is expressly subordinated to the 2021 Notes and the guarantees. The 2021 Notes are effectively subordinated to all of the Company's and the Company's subsidiaries secured indebtedness under the Company's revolving credit facility and capital lease obligations to the extent of the value of the assets securing such secured indebtedness. The 2021 Notes are not guaranteed by the Company's existing and future Canadian or other foreign subsidiaries, and the 2021 Notes are structurally subordinated to all indebtedness and other liabilities, including trade payables, of the Company's subsidiaries that are not guarantors of the 2021 Notes.

Revolving Credit Facility. On January 17, 2013, the Company entered into an amendment and restatement of the previously existing revolving credit facility with Bank of America, N.A. (“BofA”), as agent for the lenders under the facility. The principal terms of the facility are:

(i) the maximum amount of borrowings and letters of credit which the Company may obtain under the facility is $400.0 million (with a $325.0 million sub-limit for letters of credit);

(ii) of such $400.0 million maximum amount, $300.0 million (with a $250.0 million sub-limit for letters of credit) is available for Clean Harbors, Inc. ("Parent") and its domestic subsidiaries and $100.0 million (with a $75.0 million sub-limit for letters of credit) is available for Parent's Canadian subsidiaries;

(iii) the interest rate on borrowings under the facility, in the case of LIBOR loans, is LIBOR plus an applicable margin ranging (depending primarily on the Company's fixed charge coverage ratio for the most recently completed four fiscal quarters) from 1.50% to 2.00% per annum, and, in the case of base rate loans, BofA's base rate plus an applicable margin ranging from 0.50% to 1.00% per annum, and with such reduced applicable margin for LIBOR loans also to be the annual fee for outstanding letters of credit; and

(iv) the term of the facility will expire on January 17, 2018.

The revolving credit facility is guaranteed by all of Parent’s domestic subsidiaries and secured by substantially all of Parent’s and its domestic subsidiaries’ assets. Available credit for Parent and its domestic subsidiaries is limited to 85% of their eligible accounts receivable and 100% of their cash deposited in a controlled account with the agent. Available credit for Parent’s Canadian subsidiaries is limited to 85% of their eligible accounts receivable and 100% of their cash deposited in a controlled account with the agent’s Canadian affiliate. The obligations of the Canadian subsidiaries under the revolving credit facility are guaranteed by all of Parent’s Canadian subsidiaries and secured by substantially all of the assets of the Canadian subsidiaries, but the Canadian subsidiaries do not guarantee and are not otherwise responsible for the obligations of Parent or its domestic subsidiaries.

The Company utilizes letters of credit primarily as security for financial assurance which it has been required to provide to regulatory bodies for its hazardous waste facilities and which would be called only in the event that the Company fails to satisfy closure, post-closure and other obligations under the permits issued by those regulatory bodies for such licensed facilities. At December 31, 2015 and 2014, the revolving credit facility had no outstanding loan balances, $178.5 million and

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) FINANCING ARRANGEMENTS (Continued)
$238.4 million, respectively, available to borrow and $144.6 million and $134.5 million, respectively, of letters of credit outstanding.

(11) INCOME TAXES

The domestic and foreign components of income before provision for income taxes were as follows (in thousands):

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Domestic | $164,105 | $44,737 | $85,775 |
| Foreign | (54,459) | (6,215) | 58,110 |
| Total | $109,646 | $38,522 | $143,885 |

The provision for income taxes consisted of the following (in thousands):

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Current: | | | |
| Federal | $46,775 | $17,184 | $5,264 |
| State | 11,120 | 6,918 | 5,006 |
| Foreign | 5,719 | 10,428 | 6,930 |
| | 63,614 | 34,530 | 17,200 |
| Deferred | | | |
| Federal | 12,254 | 33,858 | 20,574 |
| State | 2,766 | 1,840 | 2,074 |
| Foreign | (13,090) | (3,378) | 8,471 |
| | 1,930 | 32,320 | 31,119 |
| Provision for income taxes | $65,544 | $66,850 | $48,319 |

The Company's effective tax rate for fiscal years 2015, 2014 and 2013 was 59.8%, 173.5% and 33.6%, respectively. The effective income tax rate varied from the amount computed using the statutory federal income tax rate as follows (in thousands):

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Tax expense at US statutory rate | $38,376 | $13,483 | $50,360 |
| State income taxes, net of federal benefit | 8,449 | 7,429 | 4,052 |
| Foreign rate differential | 3,951 | (2,916) | (10,478) |
| Non-deductible transaction costs | — | — | 657 |
| Uncertain tax position releases | — | — | (4,010) |
| Uncertain tax position interest and penalties | 32 | 2,217 | 457 |
| Goodwill impairment | 10,974 | 44,273 | — |
| Other | 3,762 | 2,364 | 7,281 |
| Provision for income taxes | $65,544 | $66,850 | $48,319 |

CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) INCOME TAXES (Continued)

The components of the total net deferred tax assets and liabilities at December 31, 2015 and 2014 were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets: | | |
| Workers compensation and other claims related accruals | $15,316 | $15,904 |
| Provision for doubtful accounts | 12,654 | 8,921 |
| Closure, post-closure and remedial liabilities | 37,407 | 43,640 |
| Accrued expenses | 12,455 | 13,451 |
| Accrued compensation | 5,425 | 12,094 |
| Net operating loss carryforwards(1) | 41,191 | 46,740 |
| Tax credit carryforwards(2) | 25,040 | 29,347 |
| Uncertain tax positions accrued interest and federal benefit | 1,219 | 1,953 |
| Stock-based compensation | 615 | 489 |
| Other | 7,421 | 3,622 |
| Total deferred tax assets | 158,743 | 176,161 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | (221,969) | (232,106) |
| Permits and other intangible assets | (159,698) | (155,326) |
| Total deferred tax liabilities | (381,667) | (387,432) |
| Total net deferred tax liability before valuation allowance | (222,924) | (211,271) |
| Less valuation allowance | (30,916) | (29,061) |
| Net deferred tax liabilities | $(253,840) | $(240,332) |

(1) As of December 31, 2015, the net operating loss carryforwards included (i) state net operating loss carryovers of $63.1 million which will begin to expire in 2016, (ii) federal net operating loss carryforwards of $72.0 million which will begin to expire in 2025, and (iii) foreign net operating loss carryforwards of $49.7 million which will begin to expire in 2016.

(2) As of December 31, 2015, the foreign tax credit carryforwards of $25.0 million will expire between 2016 and 2024.

The Company does not accrue U.S. tax for foreign earnings that it considers to be permanently reinvested outside the United States. Consequently, the Company has not provided any U.S. tax on the unremitted earnings of its foreign subsidiaries. As of December 31, 2015, the amount of earnings for which no repatriation tax has been provided was $212.7 million. It is not practicable to estimate the amount of additional tax that might be payable on those earnings if repatriated.

A valuation allowance is required to be established when, based on an evaluation of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, as of December 31, 2015 and 2014, the Company had a valuation allowance of $30.9 million and $29.1 million, respectively. The total allowance as of December 31, 2015 consisted of $18.7 million of foreign tax credits, $4.1 million of state net operating loss carryforwards, $6.8 million of foreign net operating loss carryforwards and $1.3 million for the deferred tax assets of a Canadian subsidiary. The allowance as of December 31, 2014 consisted of $16.5 million of foreign tax credits, $3.9 million of state net operating loss carryforwards and $6.7 million of foreign net operating loss carryforwards and $2.0 million for the deferred tax assets of a Canadian subsidiary.

The Company's policy is to recognize interest and penalties related to income tax matters as a component of income tax expense. The liability for unrecognized tax benefits at December 31, 2015 included accrued interest of $0.4 million. Interest expense that is recorded as a tax expense against the liability for unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013 included interest and penalties of $0.1 million, $0.3 million and $0.3

million, respectively.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) INCOME TAXES (Continued)

The changes to unrecognized tax benefits (excluding related penalties and interest) from January 1, 2013 through December 31, 2015, were as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Unrecognized tax benefits as of January 1 | $2,537 | $1,304 | $3,543 |
| Additions to current year tax positions | — | 904 | 210 |
| Additions to prior year tax positions | — | 419 | — |
| Settlements | (217) | — | — |
| Statute expiration | — | — | (2,843) |
| Foreign currency translation | (256) | (90) | 394 |
| Unrecognized tax benefits as of December 31 | $2,064 | $2,537 | $1,304 |

At December 31, 2015, 2014 and 2013, the Company had recorded $2.1 million, $2.5 million and $1.3 million, respectively, of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Company recognizes interest, and penalties if applicable, related to unrecognized tax benefits as a component of income tax expense. The Company had approximately $0.4 million, $0.4 million and $0.2 million for the payment of interest accrued at December 31, 2015, 2014 and 2013, respectively.

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company may be subject to examination by the Internal Revenue Service (the "IRS") for calendar years 2012 through 2014. Additionally, any net operating losses that were generated in prior years and utilized in these years may also be subject to examination by the IRS. The Company may also be subject to examinations by state and local revenue authorities for calendar years 2011 through 2014. The Company is currently not under examination by the IRS. The Company has ongoing U.S. state and local jurisdictional audits, as well as Canadian federal and provincial audits, all of which the Company believes will not result in material liabilities.

Due to expiring statute of limitation periods and the resolution of tax audits, the Company believes that total unrecognized tax benefits will decrease by approximately $0.5 million within the next 12 months.

(12) EARNINGS (LOSS) PER SHARE

The following are computations of basic and diluted earnings (loss) per share (in thousands except for per share amounts):

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Numerator for basic and diluted earnings (loss) per share: | | | |
| Net income (loss) | $44,102 | $(28,328) | $95,566 |
| Denominator: | | | |
| Weighted basic shares outstanding | 58,324 | 60,311 | 60,574 |
| Dilutive effect of equity-based compensation awards | 110 | — | 154 |
| Weighted dilutive shares outstanding | 58,434 | 60,311 | 60,728 |
| | | | |
| Basic earnings (loss) per share | $0.76 | $(0.47) | $1.58 |
| Diluted earnings (loss) per share | $0.76 | $(0.47) | $1.57 |

For the year ended December 31, 2015, the dilutive effect of all then outstanding stock options, restricted stock awards and performance awards is included in the EPS calculations above except for 154,577 of outstanding performance stock awards for which the performance criteria were not attained at that time and 31,656 restricted stock awards which were excluded from the calculation of diluted earnings per share as their inclusion would have an antidilutive effect. As a result of the net loss

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) EARNINGS (LOSS) PER SHARE (Continued)
reported for the year ended December 31, 2014, all outstanding stock options, restricted stock awards and performance awards totaling 562,896 were excluded from the calculation of diluted earnings per share as their inclusion would have an antidilutive effect. For the year ended December 31, 2013, the dilutive effect of all then outstanding stock options, restricted stock awards and performance awards is included in the EPS calculations above except for 109,861 outstanding performance stock awards, respectively, for which the performance criteria were not attained at that time.

(13) STOCKHOLDERS' EQUITY
On March 13, 2015, the Company's board of directors increased the size of the Company's current share repurchase program from $150 million to $300 million. The Company has funded and intends to continue to fund the repurchases through available cash resources. The repurchase program authorizes the Company to purchase the Company's common stock on the open market from time to time. The share repurchases have been and will be made in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases will depend on a number of factors, including share price, cash required for future business plans, trading volume and other conditions. The Company has no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time. As of December 31, 2015, the Company had repurchased and retired a total of approximately 3.4 million shares of its common stock for approximately $177.7 million under this program. As of December 31, 2015, an additional $122.3 million remained available for repurchase of shares under this program.

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS
The changes in accumulated other comprehensive loss by component and related tax effects for the years ended December 31, 2015, 2014 and 2013 were as follows (in thousands):

| | Foreign Currency Translation Adjustments | Unrealized Gains (Losses) on Available-for-Sale Securities | Unfunded Pension Liability | Total |
|---|---|---|---|---|
| Balance at January 1, 2013 | $ 50,627 | $ 660 | $ (1,655) | $ 49,632 |
| Other comprehensive (loss) income before reclassifications | (70,791) | 1,452 | 482 | (68,857) |
| Amounts reclassified out of accumulated other comprehensive loss | — | — | — | — |
| Tax effects | — | (208) | (123) | (331) |
| Other comprehensive (loss) income | (70,791) | 1,244 | 359 | (69,188) |
| Balance at December 31, 2013 | $ (20,164) | $ 1,904 | $ (1,296) | $ (19,556) |
| Other comprehensive (loss) income before reclassifications | (88,725) | 1,159 | (905) | (88,471) |
| Amounts reclassified out of accumulated other comprehensive loss | — | (3,388) | — | (3,388) |
| Tax effects | — | 325 | 248 | 573 |
| Other comprehensive loss | (88,725) | (1,904) | (657) | (91,286) |
| Balance at December 31, 2014 | $ (108,889) | $ — | $ (1,953) | $ (110,842) |
| Other comprehensive loss before reclassifications | (144,050) | — | (7) | (144,057) |
| Amounts reclassified out of accumulated other comprehensive loss | — | — | — | — |
| Tax effects | — | — | 7 | 7 |
| Other comprehensive loss | (144,050) | — | — | (144,050) |
| Balance at December 31, 2015 | $ (252,939) | $ — | $ (1,953) | $ (254,892) |

There were no reclassifications out of accumulated other comprehensive loss during the years ended December 31, 2013 and 2015. The amounts reclassified out of accumulated other comprehensive loss into the consolidated statement of income (loss), with presentation location, during the year ended December 31, 2014 were as follows (in thousands):

| Comprehensive Loss Components | December 31, 2014 | Location |
|---|---|---|
| Unrealized holding gains on available-for-sale investments | $3,388 | Other (expense) income |

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(15) STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Stock-Based Compensation

In 2000, the Company adopted a stock incentive plan (the "2000 Plan"), which provided for awards in the form of incentive stock options, non-qualified stock options, restricted stock awards, performance stock awards and common stock awards. The 2000 Plan expired on April 15, 2010, but as of December 31, 2015, 24,000 options remained outstanding under this plan. These options are fully vested with a weighted average exercise price of $28.05 and will remain outstanding until they are either exercised or expire in accordance with their terms.

In 2010, the Company adopted an equity incentive plan (the "2010 Plan"), which provides for awards of up to 6,000,000 shares of common stock (subject to certain anti-dilution adjustments) in the form of (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, and (v) certain other stock-based awards. The Company ceased issuing stock options in 2008, and all awards issued to date under the 2010 Plan have been in the form of restricted stock awards and performance stock awards as described below.

As of December 31, 2015 and 2014, the Company had the following types of stock-based compensation awards outstanding under the 2000 Plan and the 2010 Plan (collectively, the "Plans"): stock options, restricted stock awards and performance stock awards. The stock options generally become exercisable up to five years from the date of grant, subject to certain employment requirements, and terminate 10 years from the date of grant. The restricted stock awards generally vest over three to five years subject to continued employment. The performance stock awards vest depending on the satisfaction of certain performance criteria and continued service conditions as described below.

Total stock-based compensation cost charged to selling, general and administrative expenses for the years ended December 31, 2015, 2014 and 2013 was $8.6 million, $8.8 million and $9.0 million, respectively. The total income tax benefit recognized in the consolidated statements of income from stock-based compensation was $2.3 million, $1.9 million and $3.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The expected per annum forfeiture rates used to calculate compensation expense were 6% for all employees.

Restricted Stock Awards

The following information relates to restricted stock awards that have been granted to employees and directors under the Company's Plans. The restricted stock awards are not transferable until vested and the restrictions generally lapse upon the achievement of continued employment over a three-to-five-year period or service as a director until the following annual meeting of shareholders. The fair value of each restricted stock grant is based on the closing price of the Company's common stock on the date of grant and is amortized to expense over its vesting period.

The following table summarizes information about restricted stock awards for the year ended December 31, 2015:

| Restricted Stock | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Unvested at January 1, 2015 | 383,021 | $56.51 |
| Granted | 153,934 | 54.16 |
| Vested | (128,989) | 55.75 |
| Forfeited | (45,348) | 56.46 |
| Unvested at December 31, 2015 | 362,618 | $55.79 |

As of December 31, 2015, there was $11.5 million of total unrecognized compensation cost arising from restricted stock awards under the Company's Plans. This cost is expected to be recognized over a weighted average period of 3.1 years. The total fair value of restricted stock vested during 2015, 2014 and 2013 was $6.9 million, $9.4 million and $4.4 million, respectively.

Performance Stock Awards

The following information relates to performance stock awards that have been granted to employees under the Company's Plans. The compensation committee of the Company's board of directors established two-year performance targets which could potentially be achieved in the year granted or one year thereafter. Performance stock awards are subject to performance criteria established by the compensation committee of the Company's board of directors prior to or at the date of grant. The vesting of

(15) STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS (Continued)
the performance stock awards is based on achieving such targets typically based on revenue, Adjusted EBITDA margin, Return on Invested Capital ("ROIC") percentage, and Total Recordable Incident Rate. In addition performance stock awards include continued service conditions.
The fair value of each performance stock award is based on the closing price of the Company's common stock on the date of grant and is amortized to expense over the service period if achievement of performance measures is then considered probable. The expected forfeiture rate used to calculate compensation expense was 6% for all employees. As of December 31, 2015, management determined that none of the performance criteria were achieved with respect to the performance stock awards granted in 2015 and as a result no stock-based compensation expense was recorded. For the performance stock awards granted in 2014, management determined that one of the four performance criteria was achieved and as a result the Company recognized stock based compensation on 25% of the original award, or $1.0 million, within selling, general and administrative expenses. These awards will vest over the remaining requisite service condition.
The following table summarizes information about performance stock awards for the year ended December 31, 2015:

| Performance Stock | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Unvested at January 1, 2015 | 143,875 | $60.94 |
| Granted | 168,186 | 56.40 |
| Vested | (11,656) | 54.28 |
| Forfeited | (113,131) | 61.18 |
| Unvested at December 31, 2015 | 187,274 | $57.13 |

As of December 31, 2015, there was $0.6 million of total unrecognized compensation cost arising from non-vested compensation related to performance stock awards then deemed probable of vesting under the Company's Plans. The total fair value of performance awards vested during 2015 was $0.6 million. During 2014 and 2013 no performance awards vested.
Common Stock Awards
In the years ended December 31, 2015 and 2014, the Company did not issue any shares of common stock without restrictions under the Company's Plans.
Employee Benefit Plans
As of December 31, 2015, the Company has responsibility for a defined benefit plan that covered 15 active non-supervisory Canadian employees. For each of the years ended December 31, 2015, 2014 and 2013, net periodic pension cost was $0.3 million. At December 31, 2015, the fair value of the Company's plan assets was $8.4 million. The fair value of $6.6 million of these plan assets was considered a Level 1 measure and the fair value of $1.8 million of these plan assets was considered a Level 2 measure, according to the fair value hierarchy. At December 31, 2014, the fair value of the Company's plan assets was $9.4 million. The fair value of $7.5 million of these plan assets was considered a Level 1 measure and the fair value of $1.9 million of these plan assets was considered a Level 2 measure, according to the fair value hierarchy. As of December 31, 2015 and 2014, the projected benefit obligation was $10.0 million and $11.2 million, respectively.
The Company also has a profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees and a Canadian registered retired savings plan covering all Canadian employees. Both plans allow employees to make contributions up to a specified percentage of their compensation. The Company makes discretionary partial matching contributions established annually by the Board of Directors. The Company expensed $9.2 million, $12.0 million, and $8.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to the U.S. plan and $3.0 million, $3.4 million and $3.1 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to the Canadian plan.

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## (16) COMMITMENTS AND CONTINGENCIES

### Legal and Administrative Proceedings

The Company and its subsidiaries are subject to legal proceedings and claims arising in the ordinary course of business. Actions filed against the Company arise from commercial and employment-related claims including alleged class actions related to sales practices and wage and hour claims. The plaintiffs in these actions may be seeking damages or injunctive relief
or both. These actions are in various jurisdictions and stages of proceedings, and some are covered in part by insurance. In addition, the Company's waste management services operations are regulated by federal, state, provincial and local laws enacted to regulate discharge of materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to legal or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such proceedings generally relate to alleged violations of existing permits and licenses or alleged responsibility under federal or state
Superfund laws to remediate contamination at properties owned either by the Company or by other parties ("third party sites") to which either the Company or the prior owners of certain of the Company's facilities shipped wastes.

At December 31, 2015 and December 31, 2014, the Company had recorded reserves of $21.9 million and $33.6 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. At December 31, 2015 and December 31, 2014, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as $1.9 million and $2.9 million more, respectively. The Company periodically adjusts the aggregate amount of these reserves when actual or probable liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or probable claims becomes available. As of December 31, 2015 and December 31, 2014, the $21.9 million and $33.6 million, respectively, of reserves consisted of (i) $18.9 million and $27.7 million, respectively, related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) $3.0 million and $5.9 million, respectively, primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of December 31, 2015, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2015, were as follows:

Ville Mercier. In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued to a company unrelated to the Mercier Subsidiary two permits to dump organic liquids into lagoons on the property. In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. In 2012, the municipalities amended their existing statement of claim to seek $2.9 million (Cdn) in general damages and $10.0 million (Cdn) in punitive damages, plus interest and costs, as well as injunctive relief. Both the Government of Quebec and the Company have filed summary judgment motions against the municipalities. The parties are currently attempting to negotiate a resolution and hearings on the motions have been delayed. In September 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Company has accrued for costs expected to be incurred relative to the resolution of this matter and believes this matter will not have future material effect on its financial position or results of operations.

Refinery Incident. In September 2014, a customer filed suit against the Company and two other contractors and their respective insurers seeking to be named as an additional insured on the Company's and the other contractors' liability policies for an April 2013 industrial fire that occurred at the customer’s refining facility. As of December 31, 2015 the Company and its insurers have resolved the dispute relating to the customer’s additional insured status and the customer has agreed to indemnify the Company from any additional losses relating to the matter. The Company believes that this matter is currently resolved and will not have any future material effect on its financial position or results of operations.

Safety-Kleen Legal Proceedings. On December 28, 2012, the Company acquired Safety-Kleen, Inc. ("Safety-Kleen") and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Kleen has been named as a potentially responsible party as described below under

(16) COMMITMENTS AND CONTINGENCIES (Continued)
"Superfund Proceedings," the principal such legal proceedings involving Safety-Kleen which were outstanding as of December 31, 2015 were as follows:
Product Liability Cases. Safety-Kleen is named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 58 proceedings (excluding cases which have been settled but not formally dismissed) as of December 31, 2015, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts cleaning equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including an historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene. Safety-Kleen maintains insurance that it believes will provide coverage for these claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. Safety-Kleen believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all of these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, Safety-Kleen is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2015. From January 1, 2015 to December 31, 2015, 30 product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, the Company did not incur any expense as Safety-Kleen's insurance provided coverage in full for all such claims. Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.
Fee Class Action Claims. In October 2010, two customers filed a complaint, individually and on behalf of all similarly situated customers in the State of Alabama, alleging that Safety-Kleen improperly assessed fuel surcharges and extended area service fees. In 2012, similar lawsuits were filed by the same law firm in California and Missouri. On January 15, 2015, the Company reached a tentative settlement of the pending class action lawsuits, which were broadened to include similar claims on behalf of customers in Florida, West Virginia and Arkansas. The settlement was approved by the court in a fairness hearing in June 2015. The settlement amount paid to class claimants was not material. The matter has been dismissed.
Superfund Proceedings
The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 128 sites which are subject to or
are proposed to become subject to proceedings under federal or state Superfund laws. Of the 128 sites, two (the Wichita Facility and the BR Facility described below) involve facilities that are now owned by the Company and 126 involve third party sites to which either the Company or the prior owners of certain of the Company's facilities shipped wastes. Of the 126 third party sites, 32 are now settled, 16 are currently requiring expenditures on remediation and 78 are not currently requiring expenditures on remediation.

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any indemnification obligations, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements, and related legal and administrative proceedings. The amount of such actual and potential
liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability (if any) of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the

identification of other PRPs and their respective capability and obligation to contribute to remediation efforts, and the existence and legal standing of indemnification agreements (if any) with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations. In addition to the Wichita Property and the BR Facility, Clean Harbors believes its potential liability could exceed $100,000 at 10 of the 126 third party sites.

Wichita Property. The Company acquired in 2002 as part of the CSD assets a service center located in Wichita, Kansas (the "Wichita Property"). The Wichita Property is one of several properties located within the boundaries of a 1,400 acre state-designated Superfund site in an old industrial section of Wichita known as the North Industrial Corridor Site. Along with numerous other PRPs, the former owner executed a consent decree relating to such site with the U.S. Environmental Protection Agency (the "EPA"), and the Company is continuing an ongoing remediation program for the Wichita Property in accordance

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) COMMITMENTS AND CONTINGENCIES (Continued)
with that consent decree. The Company also acquired rights under an indemnification agreement between the former owner and an earlier owner of the Wichita Property. The Company filed suit against the earlier owner in July of 2015 to recover costs incurred during the cleanup of the property.
BR Facility.    The Company acquired in 2002 a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the EPA issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and stormwater have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA. These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. The Company is currently performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality, and has begun conducting the remedial investigation and feasibility study under an order issued by the EPA. The Company cannot presently estimate the potential additional liability for the Devil's Swamp cleanup until a final remedy is selected by the EPA.
Third Party Sites.    Of the 126 third party sites at which the Company has been notified it is a PRP or potential PRP or may have indemnification obligations, Clean Harbors has an indemnification agreement at 11 of these sites with ChemWaste, a former subsidiary of Waste Management, Inc., and at six additional of these third party sites, Safety-Kleen has a similar indemnification agreement with McKesson Corporation. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 17 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management or McKesson which had shipped wastes to those sites. Accordingly, Waste Management or McKesson are paying all costs of defending those subsidiaries in those 17 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreements which the Company holds from ChemWaste and McKesson, the Company does not have an indemnity agreement with respect to any of the 126 third party sites discussed above.
Federal, State and Provincial Enforcement Actions
From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of December 31, 2015 and 2014, there were six and four proceedings, respectively, for which the Company reasonably believed that the sanctions could equal or exceed $100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.
Leases
The Company leases facilities, service centers and personal property under certain operating leases. Some of these lease agreements contain an escalation clause for increased taxes and operating expenses and are renewable at the option of the Company. Lease terms range from 1 to 20 years. The following is a summary of future minimum payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2015 (in thousands):

| Year | Total Operating Leases |
|---|---|
| 2016 | $37,064 |
| 2017 | 29,198 |

| | |
|---|---|
| 2018 | 21,926 |
| 2019 | 17,997 |
| 2020 | 12,406 |
| Thereafter | 24,387 |
| Total minimum lease payments | $142,978 |

During the years ended December 31, 2015, 2014 and 2013, rent expense including short-term rentals was approximately $135.5 million, $129.6 million, and $124.4 million, respectively.

(16) COMMITMENTS AND CONTINGENCIES (Continued)

Other Contingencies

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. The Company's policy is to retain a significant portion of certain expected losses related primarily to workers' compensation, health insurance, comprehensive general, environmental impairment and vehicle liability.

Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims. The deductible per participant per year for the health insurance policy is $0.3 million. The deductible per occurrence for workers' compensation is $1.0 million, general liability is $2.0 million and vehicle liability is $2.0 million. The retention per claim for the environmental impairment policy is $1.0 million. At December 31, 2015 and 2014, the Company had accrued $34.8 million and $34.0 million, respectively, for its self-insurance liabilities (exclusive of health insurance) using a risk-free discount rate of 1.29% and 1.28%, respectively. Actual expenditures in future periods can differ materially from accruals based on estimates. Anticipated payments at December 31, 2015 for each of the next five years and thereafter are as follows (in thousands):

| | |
|---|---|
| Years ending December 31, | |
| 2016 | $14,735 |
| 2017 | 7,383 |
| 2018 | 4,948 |
| 2019 | 3,539 |
| 2020 | 1,829 |
| Thereafter | 3,109 |
| Undiscounted self-insurance liabilities | 35,543 |
| Less: Discount | 732 |
| Total self-insurance liabilities (included in accrued expenses) | $34,811 |

(17) SEGMENT REPORTING

Segment reporting is prepared on the same basis that the Company's chief executive officer, who is the Company's chief operating decision maker, manages the business, makes operating decisions and assesses performance. The Company's operations are managed in six reportable segments based primarily upon the nature of the various operations and services provided: Technical Services, Industrial and Field Services which consists of the Industrial Services and Field Services operating segments, Kleen Performance Products, SK Environmental Services, Lodging Services and Oil and Gas Field Services.

Third party revenue is revenue billed to outside customers by a particular segment. Direct revenue is revenue allocated to the segment providing the product or service. Intersegment revenues represent the sharing of third party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third party. The intersegment revenues are shown net. The negative intersegment revenues are due to more transfers out of customer revenues to other segments than transfers in of customer revenues from other segments. The operations not managed through the Company’s six reportable segments are recorded as “Corporate Items.” Corporate Items revenues consist of two different operations for which the revenues are insignificant. Corporate Items cost of revenues represents certain central services that are not allocated to the six segments for internal reporting purposes. Corporate Items selling, general and administrative expenses include typical corporate items such as legal, accounting and other items of a general corporate nature that are not allocated to the Company’s six reportable segments. Performance of the segments is evaluated on several factors, of which the primary financial measure is “Adjusted EBITDA,” which consists of net income (loss) plus accretion of environmental liabilities, depreciation and amortization, net interest expense, provision for income taxes, other non-cash charges (including goodwill impairment charge) not deemed representative of fundamental segment results and excludes other expense (income). Transactions between the segments are accounted for at the Company's best estimate based on similar transactions with outside customers.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) SEGMENT REPORTING (Continued)

The following table reconciles third party revenues to direct revenues for the years ended December 31, 2015, 2014 and 2013 (in thousands).

| | For the Year Ended December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Technical Services | Industrial and Field Services | Kleen Performance Products | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Corporate Items | Totals |
| Third party revenues | $991,410 | $957,337 | $ 386,824 | $ 674,102 | $89,060 | $175,946 | $458 | $3,275,137 |
| Intersegment revenues, net | 144,084 | (32,982) | (79,991) | (39,241) | 2,496 | 5,634 | — | — |
| Corporate Items, net | 3,586 | (756) | (8) | 3 | 157 | 200 | (3,182) | — |
| Direct revenues | $1,139,080 | $923,599 | $ 306,825 | $ 634,864 | $91,713 | $181,780 | $(2,724) | $3,275,137 |

| | For the Year Ended December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Technical Services | Industrial and Field Services | Kleen Performance Products | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Corporate Items | Totals |
| Third party revenues | $1,043,267 | $681,779 | $ 533,587 | $ 667,320 | $172,218 | $303,189 | $276 | $3,401,636 |
| Intersegment revenues, net | 156,543 | (42,681) | (201,859) | 80,477 | 2,434 | 5,086 | — | — |
| Corporate Items, net | 5,573 | 271 | (5) | (58) | 80 | (5) | (5,856) | — |
| Direct revenues | $1,205,383 | $639,369 | $ 331,723 | $ 747,739 | $174,732 | $308,270 | $(5,580) | $3,401,636 |

| | For the Year Ended December 31, 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Technical Services | Industrial and Field Services | Kleen Performance Products | SK Environmental Services | Lodging Services | Oil and Gas Field Services | Corporate Items | Totals |
| Third party revenues | $1,023,926 | $708,523 | $ 528,636 | $ 665,008 | $208,545 | $383,959 | $(8,941) | $3,509,656 |
| Intersegment revenues, net | 120,382 | (44,717) | (193,009) | 107,007 | 3,450 | 6,887 | — | — |
| Corporate Items, net | 3,507 | (217) | — | 84 | 390 | (341) | (3,423) | — |
| Direct revenues | $1,147,815 | $663,589 | $ 335,627 | $ 772,099 | $212,385 | $390,505 | $(12,364) | $3,509,656 |

CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) SEGMENT REPORTING (Continued)
The following table presents Adjusted EBITDA information used by management by reported segment (in thousands). The Company does not allocate interest expense, income taxes, depreciation, amortization, accretion of environmental liabilities, other non-cash charges not deemed representative of fundamental segment results and other expense (income) to its segments.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Adjusted EBITDA: | | | |
| Technical Services | $291,737 | $328,130 | $285,520 |
| Industrial and Field Services | 157,500 | 87,591 | 96,804 |
| Kleen Performance Products | 32,189 | 51,561 | 57,003 |
| SK Environmental Services | 140,073 | 113,986 | 112,722 |
| Lodging Services | 16,478 | 61,438 | 80,358 |
| Oil and Gas Field Services | (827) | 40,114 | 67,855 |
| Corporate Items | (132,983) | (160,901) | (190,157) |
| Total | 504,167 | 521,919 | 510,105 |
| Reconciliation to Consolidated Statements of Income (Loss): | | | |
| Pre-tax, non-cash acquisition accounting inventory adjustment | — | — | 13,559 |
| Accretion of environmental liabilities | 10,402 | 10,612 | 11,541 |
| Depreciation and amortization | 274,194 | 276,083 | 264,449 |
| Goodwill impairment charge | 31,992 | 123,414 | — |
| Income from operations | 187,579 | 111,810 | 220,556 |
| Other expense (income) | 1,380 | (4,380) | (1,705) |
| Interest expense, net of interest income | 76,553 | 77,668 | 78,376 |
| Income from operations before provision for income taxes | $109,646 | $38,522 | $143,885 |

Revenue, property, plant and equipment and intangible assets outside of the United States
For the year ended December 31, 2015, the Company generated $2,576.2 million or 78.7% of revenues in the United States and Puerto Rico, $695.0 million or 21.2% of revenues in Canada, and less than 1.0% of revenues in other international locations. For the year ended December 31, 2014, the Company generated $2,414.6 million or 71.0% of revenues in the United States and Puerto Rico, $982.1 million or 28.9% of revenues in Canada, and less than 1.0% of revenues in other international locations. For the year ended December 31, 2013, the Company generated $2,376.2 million or 67.7% of revenues in the United States and Puerto Rico, $1,125.0 million or 32.1% of revenues in Canada, and less than 1.0% of revenues in other international locations.
As of December 31, 2015, the Company had property, plant and equipment, net of depreciation and amortization of $1,532.5 million, and permits and other intangible assets of $506.8 million. Of these totals, $449.3 million or 29.3% of property, plant and equipment and $71.7 million or 14.2% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in other foreign countries).
As of December 31, 2014, the Company had property, plant and equipment, net of depreciation and amortization of $1,558.8 million, and permits and other intangible assets of $530.1 million. Of these totals, $587.4 million or 37.7% of property, plant and equipment and $94.2 million or 17.8% of permits and other intangible assets were in Canada, with the balance being in the United States and Puerto Rico (except for insignificant assets in other foreign countries).

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) SEGMENT REPORTING (Continued)
The following table presents assets by reported segment and in the aggregate (in thousands).

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Property, plant and equipment, net | | |
| Technical Services | $483,425 | $412,323 |
| Industrial and Field Services | 237,660 | 245,115 |
| Kleen Performance Products | 193,855 | 201,451 |
| SK Environmental Services | 264,539 | 240,078 |
| Lodging Services | 105,208 | 141,965 |
| Oil and Gas Field Services | 156,286 | 215,574 |
| Corporate Items | 91,494 | 102,328 |
| Total property, plant and equipment, net | $1,532,467 | $1,558,834 |
| | | |
| Goodwill and Permits and other intangibles, net | | |
| Technical Services | | |
| Goodwill | $49,267 | $50,092 |
| Permits and other intangibles, net | 73,601 | 74,870 |
| Total Technical Services | 122,868 | 124,962 |
| | | |
| Industrial and Field Services | | |
| Goodwill | 105,286 | 109,214 |
| Permits and other intangibles, net | 14,649 | 17,801 |
| Total Industrial and Field Services | 119,935 | 127,015 |
| | | |
| Kleen Performance Products | | |
| Goodwill | 49,755 | 50,883 |
| Permits and other intangibles, net | 140,410 | 151,041 |
| Total Kleen Performance Products | 190,165 | 201,924 |
| | | |
| SK Environmental Services | | |
| Goodwill | 216,589 | 173,873 |
| Permits and other intangibles, net | 256,251 | 252,897 |
| Total SK Environmental Services | 472,840 | 426,770 |
| | | |
| Lodging Services | | |
| Goodwill | 32,208 | 34,863 |
| Permits and other intangibles, net | 7,045 | 10,744 |
| Total Lodging Services | 39,253 | 45,607 |
| | | |
| Oil and Gas Field Services | | |
| Goodwill | — | 33,744 |
| Permits and other intangibles, net | 14,862 | 22,727 |
| Total Oil and Gas Field Services | 14,862 | 56,471 |
| Total | $959,923 | $982,749 |

(17) SEGMENT REPORTING (Continued)

The following table presents the total assets by reported segment (in thousands).

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Technical Services | $800,060 | $756,169 | $699,675 |
| Industrial and Field Services | 368,858 | 392,652 | 410,233 |
| Kleen Performance Products | 492,483 | 538,921 | 642,901 |
| SK Environmental Services | 805,488 | 731,072 | 774,756 |
| Lodging Services | 181,357 | 231,782 | 239,056 |
| Oil and Gas Field Services | 244,210 | 361,223 | 381,057 |
| Corporate Items | 538,972 | 677,604 | 788,752 |
| Total | $3,431,428 | $3,689,423 | $3,936,430 |

The following table presents the total assets by geographical area (in thousands).

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| United States | $2,575,746 | $2,557,639 | $2,667,438 |
| Canada | 851,949 | 1,128,458 | 1,266,505 |
| Other foreign | 3,733 | 3,326 | 2,487 |
| Total | $3,431,428 | $3,689,423 | $3,936,430 |

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

The 2020 Notes and the 2021 Notes are guaranteed by substantially all of the Company’s subsidiaries organized in the United States. Each guarantor for the 2020 Notes and the 2021 Notes is a 100% owned subsidiary of Clean Harbors, Inc. and its guarantee is both full and unconditional and joint and several. The guarantees are, however, subject to customary release provisions under which, in particular, the guarantee of any of our domestic restricted subsidiaries will be released if we sell such subsidiary to an unrelated third party in accordance with the terms of the indenture which governs the notes. The 2020 Notes and the 2021 Notes are not guaranteed by the Company’s Canadian or other foreign subsidiaries. The following supplemental condensed consolidating financial information for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries respectively, is presented in conformity with the requirements of Rule 3-10 of SEC Regulation S-X (“Rule 3-10”).

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the condensed consolidating balance sheet at December 31, 2015 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents | $11,017 | $83,479 | $ 90,212 | $— | $184,708 |
| Intercompany receivables | 164,709 | 213,243 | 39,804 | (417,756 ) | — |
| Accounts receivable, net | — | 404,580 | 91,424 | — | 496,004 |
| Other current assets | — | 179,969 | 60,515 | — | 240,484 |
| Property, plant and equipment, net | — | 1,082,466 | 450,001 | — | 1,532,467 |
| Investments in subsidiaries | 2,547,307 | 522,067 | — | (3,069,374 ) | — |
| Intercompany debt receivable | — | 260,957 | 3,701 | (264,658 ) | — |
| Goodwill | — | 367,306 | 85,799 | — | 453,105 |
| Permits and other intangibles, net | — | 435,080 | 71,738 | — | 506,818 |
| Other long-term assets | 1,068 | 10,274 | 6,500 | — | 17,842 |
| Total assets | $2,724,101 | $3,559,421 | $ 899,694 | $(3,751,788 ) | $3,431,428 |
| Liabilities and Stockholders' Equity: | | | | | |
| Current liabilities | $20,813 | $424,588 | $ 71,719 | $— | $517,120 |
| Intercompany payables | 220,762 | 195,287 | 1,707 | (417,756 ) | — |
| Closure, post-closure and remedial liabilities, net | — | 153,190 | 14,656 | — | 167,846 |
| Long-term obligations | 1,382,543 | — | — | — | 1,382,543 |
| Capital lease obligations, net | — | — | — | — | — |
| Intercompany debt payable | 3,701 | — | 260,957 | (264,658 ) | — |
| Other long-term liabilities | — | 239,049 | 28,588 | — | 267,637 |
| Total liabilities | 1,627,819 | 1,012,114 | 377,627 | (682,414 ) | 2,335,146 |
| Stockholders' equity | 1,096,282 | 2,547,307 | 522,067 | (3,069,374 ) | 1,096,282 |
| Total liabilities and stockholders' equity | $2,724,101 | $3,559,421 | $ 899,694 | $(3,751,788 ) | $3,431,428 |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the condensed consolidating balance sheet at December 31, 2014 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents | $1,006 | $154,147 | $ 91,726 | $— | $246,879 |
| Intercompany receivables | 133,219 | 156,920 | 39,724 | (329,863 ) | — |
| Accounts receivable, net | — | 414,205 | 142,926 | — | 557,131 |
| Other current assets | — | 241,232 | 81,191 | — | 322,423 |
| Property, plant and equipment, net | — | 970,757 | 588,077 | — | 1,558,834 |
| Investments in subsidiaries | 2,694,727 | 663,191 | — | (3,357,918 ) | — |
| Intercompany debt receivable | — | 327,634 | 3,701 | (331,335 ) | — |
| Goodwill | — | 324,930 | 127,739 | — | 452,669 |
| Permits and other intangibles, net | — | 435,906 | 94,174 | — | 530,080 |
| Other long-term assets | 1,946 | 12,959 | 6,502 | — | 21,407 |
| Total assets | $2,830,898 | $3,701,881 | $ 1,175,760 | $(4,019,116) | $3,689,423 |
| Liabilities and Stockholders' Equity: | | | | | |
| Current liabilities | $20,820 | $444,059 | $ 107,592 | $— | $572,471 |
| Intercompany payables | 163,361 | 164,231 | 2,271 | (329,863 ) | — |
| Closure, post-closure and remedial liabilities, net | — | 158,622 | 25,109 | — | 183,731 |
| Long-term obligations | 1,380,145 | — | — | — | 1,380,145 |
| Capital lease obligations, net | — | — | — | — | — |
| Intercompany debt payable | 3,701 | — | 327,634 | (331,335 ) | — |
| Other long-term liabilities | — | 240,242 | 49,963 | — | 290,205 |
| Total liabilities | 1,568,027 | 1,007,154 | 512,569 | (661,198 ) | 2,426,552 |
| Stockholders' equity | 1,262,871 | 2,694,727 | 663,191 | (3,357,918 ) | 1,262,871 |
| Total liabilities and stockholders' equity | $2,830,898 | $3,701,881 | $ 1,175,760 | $(4,019,116) | $3,689,423 |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the consolidating statement of income (loss) for the year ended December 31, 2015 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Service revenues | $— | $2,111,086 | $ 692,216 | $(59,030) | $2,744,272 |
| Product revenues | — | 458,314 | 83,970 | (11,419) | 530,865 |
| Total revenues | — | 2,569,400 | 776,186 | (70,449) | 3,275,137 |
| Cost of revenues (exclusive of items shown separately below) | | | | | |
| Service cost of revenues | 5 | 1,415,435 | 542,497 | (59,030) | 1,898,907 |
| Product cost of revenues | — | 410,128 | 59,190 | (11,419) | 457,899 |
| Total cost of revenues | 5 | 1,825,563 | 601,687 | (70,449) | 2,356,806 |
| Selling, general and administrative expenses | 101 | 329,069 | 84,994 | — | 414,164 |
| Accretion of environmental liabilities | — | 9,209 | 1,193 | — | 10,402 |
| Depreciation and amortization | — | 184,017 | 90,177 | — | 274,194 |
| Goodwill impairment charge | — | 4,164 | 27,828 | — | 31,992 |
| (Loss) income from operations | (106) | 217,378 | (29,693) | — | 187,579 |
| Other income (loss) | — | 491 | (1,871) | — | (1,380) |
| Interest (expense) income, net | (78,621) | 1,860 | 208 | — | (76,553) |
| Equity in earnings of subsidiaries, net of tax | 91,339 | (47,141) | — | (44,198) | — |
| Intercompany interest income (expense) | — | 23,156 | (23,156) | — | — |
| Income before (benefit) provision for income taxes | 12,612 | 195,744 | (54,512) | (44,198) | 109,646 |
| (Benefit) provision for income taxes | (31,490) | 104,405 | (7,371) | — | 65,544 |
| Net income (loss) | 44,102 | 91,339 | (47,141) | (44,198) | 44,102 |
| Other comprehensive loss | (144,050) | (144,050) | (93,983) | 238,033 | (144,050) |
| Comprehensive loss | $(99,948) | $(52,711) | $ (141,124) | $193,835 | $(99,948) |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the consolidating statement of (loss) income for the year ended December 31, 2014 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Service revenues | — | 1,786,695 | 876,085 | (22,984) | 2,639,796 |
| Product revenues | — | 619,802 | 148,671 | (6,633) | 761,840 |
| Total revenues | — | 2,406,497 | 1,024,756 | (29,617) | 3,401,636 |
| Cost of revenues (exclusive of items shown separately below) | | | | | |
| Service cost of revenues | — | 1,172,181 | 641,180 | (22,984) | 1,790,377 |
| Product cost of revenues | — | 538,671 | 119,381 | (6,633) | 651,419 |
| Total cost of revenues | — | 1,710,852 | 760,561 | (29,617) | 2,441,796 |
| Selling, general and administrative expenses | 114 | 321,069 | 116,738 | — | 437,921 |
| Accretion of environmental liabilities | — | 9,240 | 1,372 | — | 10,612 |
| Depreciation and amortization | — | 173,447 | 102,636 | — | 276,083 |
| Goodwill impairment charge | — | 105,466 | 17,948 | — | 123,414 |
| (Loss) income from operations | (114) | 86,423 | 25,501 | — | 111,810 |
| Other income | — | 3,369 | 1,011 | — | 4,380 |
| Interest (expense) income, net | (78,570) | 800 | 102 | — | (77,668) |
| Equity in earnings of subsidiaries, net of tax | 18,882 | (9,031) | — | (9,851) | — |
| Intercompany dividend income | — | — | 6,238 | (6,238) | — |
| Intercompany interest income (expense) | — | 28,596 | (28,596) | — | — |
| Income before (benefit) provision for income taxes | (59,802) | 110,157 | 4,256 | (16,089) | 38,522 |
| (Benefit) provision for income taxes | (31,474) | 91,275 | 7,049 | — | 66,850 |
| Net (loss) income | (28,328) | 18,882 | (2,793) | (16,089) | (28,328) |
| Other comprehensive loss | (91,286) | (91,286) | (37,157) | 128,443 | (91,286) |
| Comprehensive loss | $(119,614) | $(72,404) | $ (39,950) | $ 112,354 | $(119,614) |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the consolidating statement of income for the year ended December 31, 2013 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Service revenues | — | 1,757,663 | 984,122 | (12,580) | 2,729,205 |
| Product revenues | — | 611,548 | 172,500 | (3,597) | 780,451 |
| Total revenues | — | 2,369,211 | 1,156,622 | (16,177) | 3,509,656 |
| Cost of revenues (exclusive of items shown separately below) | | | | | |
| Service cost of revenues | — | 1,190,419 | 696,609 | (12,580) | 1,874,448 |
| Product cost of revenues | — | 524,318 | 147,464 | (3,597) | 668,185 |
| Total cost of revenues | — | 1,714,737 | 844,073 | (16,177) | 2,542,633 |
| Selling, general and administrative expenses | 109 | 353,215 | 117,153 | — | 470,477 |
| Accretion of environmental liabilities | — | 9,935 | 1,606 | — | 11,541 |
| Depreciation and amortization | — | 170,041 | 94,408 | — | 264,449 |
| (Loss) income from operations | (109) | 121,283 | 99,382 | — | 220,556 |
| Other income | — | 1,655 | 50 | — | 1,705 |
| Loss on early extinguishment of debt | — | — | — | — | — |
| Interest (expense) income, net | (79,017) | 236 | 405 | — | (78,376) |
| Equity in earnings of subsidiaries, net of tax | 143,042 | 42,741 | — | (185,783) | — |
| Intercompany dividend income (expense) | — | — | 13,292 | (13,292) | — |
| Intercompany interest income (expense) | — | 41,695 | (41,695) | — | — |
| Income before (benefit) provision for income taxes | 63,916 | 207,610 | 71,434 | (199,075) | 143,885 |
| (Benefit) provision for income taxes | (31,650) | 64,568 | 15,401 | — | 48,319 |
| Net income | 95,566 | 143,042 | 56,033 | (199,075) | 95,566 |
| Other comprehensive (loss) income | (69,188) | (69,188) | 39,519 | 29,669 | (69,188) |
| Comprehensive income | $26,378 | $73,854 | $ 95,552 | $ (169,406) | $26,378 |

CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the condensed consolidating statement of cash flows for the year ended December 31, 2015 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Net cash from operating activities | $9,543 | $314,585 | $ 72,255 | — | $396,383 |
| Cash flows from investing activities: | | | | | |
| Additions to property, plant and equipment | — | (220,789) | (36,407) | — | (257,196) |
| Proceeds from sales of fixed assets | — | 1,447 | 4,748 | — | 6,195 |
| Acquisitions, net of cash acquired | — | (94,345) | — | — | (94,345) |
| Additions to intangible assets including costs to obtain or renew permits | — | — | (5,296) | — | (5,296) |
| Intercompany | — | (75,506) | — | 75,506 | — |
| Intercompany debt | — | 14,272 | — | (14,272) | — |
| Net cash used in investing activities | — | (374,921) | (36,955) | 61,234 | (350,642) |
| Cash flows from (used in) financing activities: | | | | | |
| Change in uncashed checks | — | (10,129) | (4,501) | — | (14,630) |
| Proceeds from exercise of stock options | 397 | — | — | — | 397 |
| Remittance of shares, net | (2,159) | — | — | — | (2,159) |
| Excess tax benefit of stock-based compensation | 71 | — | — | — | 71 |
| Repurchases of common stock | (73,347) | — | — | — | (73,347) |
| Payments on capital leases | — | (203) | (308) | — | (511) |
| Intercompany | 75,506 | — | — | (75,506) | — |
| Intercompany debt | — | — | (14,272) | 14,272 | — |
| Net cash from (used in) financing activities | 468 | (10,332) | (19,081) | (61,234) | (90,179) |
| Effect of exchange rate change on cash | — | — | (17,733) | — | (17,733) |
| Increase (decrease) in cash and cash equivalents | 10,011 | (70,668) | (1,514) | — | (62,171) |
| Cash and cash equivalents, beginning of year | 1,006 | 154,147 | 91,726 | — | 246,879 |
| Cash and cash equivalents, end of year | $11,017 | $83,479 | $ 90,212 | — | $184,708 |

CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the condensed consolidating statement of cash flows for the year ended December 31, 2014 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Net cash from operating activities | $ (5,242) | $70,761 | $ 250,433 | (18,586) | $297,366 |
| Cash flows from investing activities: | | | | | |
| Additions to property, plant and equipment | — | (172,525) | (85,088) | — | (257,613) |
| Proceeds from sales of fixed assets | — | 3,956 | 4,208 | — | 8,164 |
| Acquisitions, net of cash acquired | — | (6,550) | (9,637) | — | (16,187) |
| Additions to intangible assets, including costs to obtain or renew permits | — | (623) | (5,896) | — | (6,519) |
| Intercompany | — | (112,134) | — | 112,134 | — |
| Intercompany debt | — | 143,467 | — | (143,467) | — |
| Proceeds from sale of long-term investments | — | — | 13,861 | — | 13,861 |
| Net cash used in investing activities | — | (144,409) | (82,552) | (31,333) | (258,294) |
| Cash flows from (used in) financing activities: | | | | | |
| Change in uncashed checks | — | 11,046 | 4,023 | — | 15,069 |
| Remittance of shares, net | (2,793) | — | — | — | (2,793) |
| Repurchases of common stock | (104,341) | — | — | — | (104,341) |
| Proceeds from employee stock purchase plan | 4,364 | — | — | — | 4,364 |
| Payments on capital leases | — | (170) | (1,952) | — | (2,122) |
| Repayments of long-term obligations | (5,000) | — | — | — | (5,000) |
| Excess tax benefit of stock-based compensation | 878 | — | — | — | 878 |
| Dividends paid | — | (18,586) | — | 18,586 | — |
| Intercompany | 112,134 | — | — | (112,134) | — |
| Intercompany debt | — | — | (143,467) | 143,467 | — |
| Net cash from (used in) financing activities | 5,242 | (7,710) | (141,396) | 49,919 | (93,945) |
| Effect of exchange rate change on cash | — | — | (8,321) | — | (8,321) |
| (Decrease) increase in cash and cash equivalents | — | (81,358) | 18,164 | — | (63,194) |
| Cash and cash equivalents, beginning of year | 1,006 | 235,505 | 73,562 | — | 310,073 |
| Cash and cash equivalents, end of year | $ 1,006 | $154,147 | $ 91,726 | $ — | $246,879 |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (Continued)
Following is the condensed consolidating statement of cash flows for the year ended December 31, 2013 (in thousands):

| | Clean Harbors, Inc. | U.S. Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Net cash from operating activities | $ (33,932) | $ 277,445 | $ 185,686 | (13,360) | $ 415,839 |
| Cash flows from investing activities: | | | | | |
| Additions to property, plant and equipment | — | (145,075) | (135,132) | — | (280,207) |
| Proceeds from sales of fixed assets and assets held for sale | — | 1,078 | 3,621 | — | 4,699 |
| Acquisitions, net of cash acquired | (6,025) | (57,239) | — | — | (63,264) |
| Additions to intangible assets including costs to obtain or renew permits | — | (5,247) | (1,493) | — | (6,740) |
| Intercompany debt | — | 27,525 | — | (27,525) | — |
| Net cash used in investing activities | (6,025) | (178,958) | (133,004) | (27,525) | (345,512) |
| Cash flows from (used in) financing activities: | | | | | |
| Change in uncashed checks | — | 9,922 | 2,346 | — | 12,268 |
| Proceeds from employee stock purchase plan | 7,425 | — | — | — | 7,425 |
| Proceeds from exercise of stock options | 400 | — | — | — | 400 |
| Remittance of shares, net | (731) | — | — | — | (731) |
| Excess tax benefit of stock-based compensation | 1,409 | — | — | — | 1,409 |
| Deferred financing costs paid | (2,504) | — | — | — | (2,504) |
| Payments of capital leases | — | (227) | (4,664) | — | (4,891) |
| Issuance costs related to issuance of common stock | (250) | — | — | — | (250) |
| Dividends paid | — | (13,360) | — | 13,360 | — |
| Intercompany debt | — | — | (27,525) | 27,525 | — |
| Net cash from (used in) financing activities | 5,749 | (3,665) | (29,843) | 40,885 | 13,126 |
| Effect of exchange rate change on cash | — | — | (3,216) | — | (3,216) |
| (Decrease) increase in cash and cash equivalents | (34,208) | 94,822 | 19,623 | — | 80,237 |
| Cash and cash equivalents, beginning of year | 35,214 | 140,683 | 53,939 | — | 229,836 |
| Cash and cash equivalents, end of year | $ 1,006 | $ 235,505 | $ 73,562 | $ — | $ 310,073 |

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CLEAN HARBORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) QUARTERLY DATA (UNAUDITED)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| | (in thousands except per share amounts) | | | |
| 2015 | | | | |
| Revenues | $732,499 | $936,228 | $893,366 | $713,044 |
| Cost of revenues (1) | 546,507 | 652,688 | 634,646 | 522,965 |
| Income from operations (4) | 7,302 | 60,758 | 93,970 | 25,549 |
| Other income (expense) | 409 | (660) | (139) | (990) |
| Net (loss) income | (7,089) | 10,395 | 40,228 | 568 |
| Basic (loss) earnings per share (2) | (0.12) | 0.18 | 0.69 | 0.01 |
| Diluted (loss) earnings per share (2) | (0.12) | 0.18 | 0.69 | 0.01 |

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter(3) |
|---|---|---|---|---|
| | (in thousands except per share amounts) | | | |
| 2014 | | | | |
| Revenues | $846,667 | $858,480 | $851,465 | $845,024 |
| Cost of revenues (1) | 625,719 | 606,950 | 598,407 | 610,720 |
| Income (loss) from operations (4) | 29,906 | 67,115 | (42,748) | 57,537 |
| Other income (expense) | 4,178 | (655) | 613 | 244 |
| Net income (loss) | 8,960 | 28,672 | (93,337) | 27,377 |
| Basic earnings (loss) per share (2) | 0.15 | 0.47 | (1.55) | 0.46 |
| Diluted earnings (loss) per share (2) | 0.15 | 0.47 | (1.55) | 0.46 |

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(1) Items shown separately on the statements of income consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

(2) (Loss) earnings per share are computed independently for each of the quarters presented. Accordingly, the quarterly basic and diluted (loss) earnings per share may not equal the total computed for the year.

(3) In the fourth quarter of 2014 an adjustment was recorded to correct income tax expense that was recorded in the third quarter of 2014 resulting in a benefit of approximately $5.4 million in the fourth quarter.

(4) The second quarter of 2015 results include a $32.0 million goodwill impairment charge in our Oil and Gas Field Services reporting unit and the third quarter of 2014 results include a $123.4 million goodwill impairment charge in our Kleen Performance Products reporting unit.

(20) SUBSEQUENT EVENTS

On February 3, 2016, the Company purchased a re-refinery facility located in Nevada from Vertex Energy, Inc. for a purchase price of $35.0 million in cash, subject to customary post-closing adjustments. The acquired re-refinery facility further expands the Company's re-refinery network within its Kleen Performance Products segment.

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CLEAN HARBORS, INC. AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31, 2015
(in thousands)

| Allowance for Doubtful Accounts | Balance Beginning of Period | Additions Charged to Operating Expense | Deductions from Reserves(a) | Balance End of Period |
|---|---|---|---|---|
| 2013 | $1,246 | $7,933 | $1,825 | $7,354 |
| 2014 | $7,354 | $8,917 | $2,795 | $13,476 |
| 2015 | $13,476 | $4,793 | $3,075 | $15,194 |

(a) Amounts deemed uncollectible, net of recoveries.

| Revenue Allowance(b) | Balance Beginning of Period | Additions Charged to Revenue | Deductions from Reserves | Balance End of Period |
|---|---|---|---|---|
| 2013 | $9,879 | $16,401 | $15,528 | $10,752 |
| 2014 | $10,752 | $20,237 | $18,804 | $12,185 |
| 2015 | $12,185 | $28,312 | $24,265 | $16,232 |

(b) Due to the nature of the Company's business and the invoices that result from the services provided, customers may withhold payments and attempt to renegotiate amounts invoiced. In addition, for some of the services provided, the Company's invoices are based on quotes that can either generate credits or debits when the actual revenue amount is known. Based on industry knowledge and historical trends, the Company records a revenue allowance accordingly. This practice causes the volume of activity flowing through the revenue allowance during the year to be higher than the balance at the end of the year. Increases in overall sales volumes and the expansion of the customer base in recent years have also increased the volume of additions and deductions to the allowance during the year, as well as increased the amount of the allowance at the end of the year. The revenue allowance is intended to cover the net amount of revenue adjustments that may need to be credited to customers' accounts in future periods. Management determines the appropriate total revenue allowance by evaluating the following factors on a customer-by-customer basis as well as on a consolidated level: trends in adjustments to previously billed amounts, existing economic conditions and other information as deemed applicable. Revenue allowance estimates can differ materially from the actual adjustments, but historically the revenue allowance has been sufficient to cover the net amount of the reserve adjustments issued in subsequent reporting periods.

| Valuation Allowance on Deferred Tax Assets | Balance Beginning of Period | Additions (Deductions) Charged to (from) Income Tax Expense | Other Changes to Reserves | Balance End of Period |
|---|---|---|---|---|
| 2013 | $26,325 | $(1,545) | $4,946 | $29,726 |
| 2014 | $29,726 | $(1,812) | $1,147 | $29,061 |
| 2015 | $29,061 | $2,274 | $(419) | $30,916 |

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective as of December 31, 2015 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of its internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's management evaluated the effectiveness of Clean Harbors internal control over financial reporting as of December 31, 2015. Based on their evaluation under the framework in Internal Control—Integrated Framework (2013), the Company's management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2015 based on the criteria in the Internal Control—Integrated Framework (2013). Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2015, which is included below in this Item 9A of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent all errors and all fraud.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Further, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations of controls and procedures and internal control over financial reporting, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Clean Harbors, Inc.
Norwell, Massachusetts

We have audited the internal control over financial reporting of Clean Harbors, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2016

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ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

Except for the information set forth below under Item 12 with respect to securities authorized for issuance under the registrant's equity compensation plans, the information called for by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence), and Item 14 (Principal Accountant Fees and Services) is incorporated herein by reference to the registrant's definitive proxy statement for its 2016 annual meeting of shareholders, which definitive proxy statement will be filed with the Securities and Exchange Commission by April 30, 2016.

For the purpose of calculating the aggregate market value of the voting stock of the registrant held by non-affiliates as shown on the cover page of this report, it has been assumed that the directors and executive officers of the registrant, as will be set forth in the Company's definitive proxy statement for its 2016 annual meeting of shareholders, are the only affiliates of the registrant. However, this should not be deemed to constitute an admission that all of such persons are, in fact, affiliates or that there are not other persons who may be deemed affiliates of the registrant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In addition to the information about the security ownership of certain beneficial owners and management and related stockholder matters which is incorporated herein by reference to the Company's definitive proxy statement for the Company's 2016 annual meeting of shareholders, the following table includes information as of December 31, 2015 regarding shares of common stock authorized for issuance under the Company's equity compensation plans. The Company's shareholders previously approved each of the plans.

| Plan Category | Number of securities to be issued upon exercise of outstanding options and rights(a) | Weighted average exercise price of outstanding options and rights(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c) |
|---|---|---|---|
| Equity compensation plans approved by security holders(1) | 24,000 | $28.05 | 4,986,477 |

(1) Includes: (i) the Company's 2000 Stock Incentive Plan which expired in 2010, but under which there were on December 31, 2015 outstanding options for an aggregate of 24,000 shares; and (ii) the Company's 2010 Stock Incentive Plan (the "2010 Plan") under which there were on December 31, 2015 no outstanding options but 4,986,477 shares were available for grant of future options, stock appreciation rights, restricted stock awards, restricted stock units and certain other forms of equity incentives. See Note 15, "Stock-Based Compensation and Employee Benefit Plans," to the Company's consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," in this report.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed as a Part of this Report



All other schedules are omitted because they are not applicable, not required, or because the required information is included in the financial statements or notes thereto.

3. Exhibits:

The list of exhibits filed as part of this annual report on Form 10-K is set forth on the Exhibit Index immediately following the signature page to this report, and such Exhibit Index is incorporated herein by reference.

Exhibits to this annual report on Form 10-K have been included only with the copies of the Form 10-K filed with the Securities and Exchange Commission. Upon request to the Company and payment of a reasonable fee, copies of the individual exhibits will be furnished. The Company undertakes to furnish to the Commission upon request copies of instruments (in addition to the exhibits listed below) relating to the Company's acquisitions and long-term debt.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized on February 25, 2016.

CLEAN HARBORS, INC.
By: /s/ ALAN S. MCKIM
Alan S. McKim
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ ALAN S. MCKIM<br>Alan S. McKim | Chairman of the Board of Directors and Chief Executive Officer | February 25, 2016 |
| /s/ MICHAEL L. BATTLES<br>Michael L. Battles | Executive Vice President and Chief Financial Officer | February 25, 2016 |
| /s/ ERIC J. DUGAS<br>Eric J. Dugas | Vice President, Corporate Controller and Chief Accounting Officer | February 25, 2016 |
| *<br>James M. Rutledge | Vice Chairman of the Board of Directors and President | February 25, 2016 |
| *<br>Gene Banucci | Director | February 25, 2016 |
| *<br>John P. DeVillars | Director | February 25, 2016 |
| *<br>Edward G. Galante | Director | February 25, 2016 |
| *<br>Rod Marlin | Director | February 25, 2016 |
| *<br>Daniel J. McCarthy | Director | February 25, 2016 |
| *<br>John T. Preston | Director | February 25, 2016 |
| *<br>Andrea Robertson | Director | February 25, 2016 |
| * | Director | February 25, 2016 |

| | | |
|---|---|---|
| Thomas J. Shields | | |
| * | Director | February 25, 2016 |
| John R. Welch | | |

*By: /s/ ALAN S. MCKIM
Alan S. McKim
Attorney-in-Fact

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EXHIBIT INDEX

| Item No. | Description | Location |
|---|---|---|
| 2.1 | Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of February 22, 2002 | (1) |
| 2.2 | First Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of March 8, 2002 | (2) |
| 2.3 | Second Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc. as Seller, and Clean Harbors, Inc. as Purchaser, dated as of April 30, 2002 | (3) |
| 2.4 | Third Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller, and Clean Harbors, Inc., as Purchaser, dated as of September 6, 2002 | (4) |
| 2.5 | Fourth Amendment to Acquisition Agreement by and between Safety-Kleen Services, Inc., as Seller and Clean Harbors, Inc., as Purchaser, dated as of July 14, 2003 | (5) |
| 2.6 | Agreement and Plan of Merger dated as of October 26, 2012 among Safety-Kleen, Inc., Clean Harbors, Inc., and CH Merger Sub, Inc. | (6) |
| 3.1A | Restated Articles of Organization of Clean Harbors, Inc. | (7) |
| 3.1B | Articles of Amendment [as filed on May 9, 2011] to Restated Articles of Organization of Clean Harbors | (8) |
| 3.4D | Amended and Restated By-Laws of Clean Harbors, Inc. | (9) |
| 4.33E-1 | Fourth Amended and Restated Credit Agreement dated as of January 17, 2013 among Clean Harbors, Inc., as the U.S. Borrower, Clean Harbors Industrial Services Canada, Inc., as the Canadian Borrower, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto | (10) |
| 4.33F | Guarantee (U.S. Domiciled Loan Parties-U.S. Facility Obligations) dated as of May 31, 2011 executed by the U.S. Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other U.S. Facility Secured Parties | (11) |
| 4.33G | Guarantee (Canadian Domiciled Loan Parties-Canadian Facility Obligations) dated as of May 31, 2011 executed by the Canadian Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other Canadian Facility Secured Parties | (11) |
| 4.33H | Guarantee (U.S. Domiciled Loan Parties-Canadian Facility Obligations) dated as of May 31, 2011 executed by Clean Harbors, Inc. and the U.S. Domiciled Subsidiaries of Clean Harbors, Inc. named therein in favor of Bank of America, N.A., as Agent for itself and the other Canadian Facility Secured Parties | (11) |
| 4.33I | Security Agreement (U.S. Domiciled Loan Parties) dated as of January 17, 2013 among Clean Harbors, Inc. , as the U.S. Borrower and a Grantor, the subsidiaries of Clean Harbors, Inc. listed on Annex A thereto or that thereafter become a party thereto as Grantors, and Bank of America, N.A., as Agent | (10) |
| 4.33J | Security Agreement (Canadian Domiciled Loan Parties) dated as of May 31, 2011 among Clean Harbors Industrial Services Canada, Inc., as the Canadian Borrower and a Grantor, the Canadian subsidiaries of Clean Harbors, Inc. listed on Annex A thereto or that thereafter become a party thereto as Grantors, and Bank of America, N.A., as Agent | (11) |
| 4.40 | Indenture dated as of July 30, 2012, among Clean Harbors, Inc., as Issuer, the Guarantors listed on the signature pages thereto, and U.S. Bank National Association, as Trustee | (12) |
| 4.42 | Indenture dated as of December 7, 2012, among Clean Harbors, Inc., as Issuer, the subsidiaries of Clean Harbors, Inc. named therein as Guarantors, and U.S. Bank National Association, as Trustee | (13) |
| 10.43* | Key Employee Retention Plan | (14) |
| 10.43A* | | (15) |

| | | | |
|---|---|---|---|
| | Form of Severance Agreement under Key Employee Retention Plan with Confidentiality and Non-Competition Agreement | | |
| 10.45 | Bill of Sale and Assignment dated as of September 10, 2002 by Safety-Kleen Services, Inc. and its Subsidiaries named therein, as Sellers, and Clean Harbors, Inc., as Purchaser, and its Subsidiaries named therein, as Purchasing Subs | (4 | ) |
| 10.46 | Assumption Agreement made as of September 10, 2002 by Clean Harbors, Inc. in favor of Safety-Kleen Services, Inc. and its Subsidiaries named therein | (4 | ) |
| 10.50* | Accepted offer letter, severance agreement, and relocation package and agreement, effective August 1, 2005, between the Company and James M. Rutledge | (16 | ) |

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| Item No. | Description | Location | |
|---|---|---|---|
| 10.52B* | Clean Harbors, Inc. Management Incentive Plan [as amended and restated on March 5, 2012] | (17 | ) |
| 10.53* | Clean Harbors, Inc. Annual CEO Incentive Bonus Plan | (18 | ) |
| 10.54* | Clean Harbors, Inc. 2010 Stock Incentive Plan [as amended on May 10, 2010] | (19 | ) |
| 10.54A* | Revised form of Restricted Stock Award Agreement [Non-Employee Director] [for use under 2010 Stock Incentive Plan] | (15 | ) |
| 10.54B* | Revised form of Restricted Stock Award Agreement [Employee] [for use under Clean Harbors, Inc. 2010 Stock Incentive Plan] | (15 | ) |
| 10.54C* | Revised form of Performance-Based Restricted Stock Award Agreement [for use under Clean Harbors, Inc. 2010 Stock Incentive Plan] | (15 | ) |
| 10.54D* | Amendment to Section 8 and 10(i) of the Company's 2010 Stock Incentive Plan | (20 | ) |
| 10.55* | Clean Harbors, Inc. 2014 CEO Annual Incentive Plan | (21 | ) |
| 10.55A* | Amendment to Section 6(m) of Clean Harbors, Inc. 2014 Annual CEO Incentive Plan | (22 | ) |
| 10.56* | Mike Battles accepted offer letter effective as of January 6, 2016 | (23 | ) |
| 21 | Subsidiaries | Filed herewith | |
| 23 | Consent of Independent Registered Public Accounting Firm | Filed herewith | |
| 24 | Power of Attorney | Filed herewith | |
| 31.1 | Rule 13a-14a/15d-14(a) Certification of the CEO Alan S. McKim | Filed herewith | |
| 31.2 | Rule 13a-14a/15d-14(a) Certification of the CFO Michael L. Battles | Filed herewith | |
| 32 | Section 1350 Certifications | Filed herewith | |
| 101 | The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text | (24 | ) |

(*) A "management contract or compensatory plan or arrangement" filed as an exhibit to this report pursuant to Item 15(f) of Form 10-K.

(1) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on February 28, 2002.

(2) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2001.

(3) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 2002.

(4) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on September 25, 2002.

(5) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended June 30, 2003.

(6) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on October 31, 2012.

(7) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 19, 2005.

(8) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 12, 2011.

(9) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 22, 2014.

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(10) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on January 18, 2013.
(11) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on June 3, 2011.
(12) Incorporated by reference to the similarly numbered exhibit to the Company's Report on Form 8-K filed on July 30, 2012.
(13) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on December 10, 2012.
(14) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-Q Quarterly Report for the Quarterly Period ended March 31, 1999.
(15) Incorporated by reference to the similarly numbered exhibit to the Company's Form 10-K Annual Report for the Year ended December 31, 2010.
(16) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on August 1, 2005.
(17) Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2012 annual meeting of shareholders filed on March 23, 2012.
(18) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 14, 2009.
(19) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on May 14, 2010.
(20) Incorporated by reference to Appendix B to the Company’s definitive Proxy Statement filed on March 22, 2013.
(21) Incorporated by reference by Appendix A to the Company’s definitive Proxy Statement filed on March 22, 2013.
(22) Incorporated by reference to Appendix A to the Company's definitive Proxy Statement for its 2014 annual meeting of shareholders filed on April 29, 2014.
(23) Incorporated by reference to the similarly numbered exhibit to the Company's Form 8-K Report filed on January 11, 2016.
(24) These interactive data files are furnished herewith and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.