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 +INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
 +ANY SUCH STATE. +  
 +++++  
 SUBJECT TO COMPLETION, DATED JANUARY 27, 1997

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY 27, 1997

8,000,000 PREFERRED SECURITIES

HL&P CAPITAL TRUST I

% TRUST PREFERRED SECURITIES, SERIES A

(LIQUIDATION AMOUNT \$25 PER TRUST PREFERRED SECURITY)  
 FULLY AND UNCONDITIONALLY GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

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The % Trust Preferred Securities, Series A (the "Series A Preferred Securities"), offered hereby represent undivided beneficial interests in the assets of HL&P Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Series A Issuer"). Houston Lighting & Power Company, a Texas corporation ("HL&P" or the "Corporation"), will be the owner of all the undivided beneficial interests in the assets of the Series A Issuer represented by common securities of the Series A Issuer ("Series A Common Securities" and, collectively with the Series A Preferred Securities, the "Series A Securities"). The Bank of New York is the Property Trustee of the Series A Issuer. The Series A Issuer exists for the sole purpose of issuing the Series A Securities and investing the proceeds thereof in % Junior Subordinated Deferrable Interest Debentures, Series A (the "Series A Subordinated Debentures"), to be issued by the Corporation. The Series A Subordinated Debentures will mature on March 31, 2046 (the "Stated Maturity"). Under certain conditions, the Company has the right to advance the Stated Maturity. See "Certain Terms of Series A Subordinated Debentures--Conditional Right to Advance Maturity". The Series A Preferred Securities will have a preference under certain circumstances with respect to cash distributions and amounts payable on liquidation or redemption over the Series A Common Securities. See "Description of Securities--Subordination of Common Securities" in the accompanying Prospectus.

(Continued on next page)

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SEE "RISK FACTORS" BEGINNING ON PAGE S-5 HEREOF FOR CERTAIN INFORMATION RELEVANT TO AN INVESTMENT IN THE SERIES A PREFERRED SECURITIES.

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

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			PROCEEDS
			TO THE
			SERIES A
	INITIAL PUBLIC UNDERWRITING		ISSUER(2)(3)
	OFFERING PRICE COMMISSION(1)		
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Per Series A Preferred Security.....	\$	(2)	\$
Total.....	\$	(2)	\$

(1) The Series A Issuer and the Corporation have each agreed to indemnify the

several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".

- (2) In view of the fact that the proceeds of the sale of the Series A Preferred Securities will be invested in the Series A Subordinated Debentures, the Corporation has agreed to pay to the Underwriters as compensation for their arranging the investment therein of such proceeds \$      per Series A Preferred Security (or \$      in the aggregate). See "Underwriting".
- (3) Expenses of the offering, which are payable by the Corporation, are estimated to be \$      .

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The Series A Preferred Securities offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Series A Preferred Securities will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company in New York, New York, on or about February      , 1997, against payment therefor in immediately available funds.

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

DEAN WITTER REYNOLDS INC.

DONALDSON, LUFKIN & JENRETTE

SECURITIES CORPORATION

A.G. EDWARDS & SONS, INC.

PAINWEBBER INCORPORATED

PRUDENTIAL SECURITIES INCORPORATED

SMITH BARNEY INC.

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The date of this Prospectus Supplement is      , 1997.



the Series A Preferred Securities. See "Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees--Full and Unconditional Guarantee" in the accompanying Prospectus. The Series A Guarantee of the Corporation (the "Series A Guarantee") guarantees the payment of Distributions and payments on liquidation of the Series A Issuer or redemption of the Series A Preferred Securities, but only in each case to the extent of funds held by the Series A Issuer, as described herein. See "Description of Guarantees" in the accompanying Prospectus. If the Corporation does not make interest payments on the Series A Subordinated Debentures held by the Series A Issuer, the Series A Issuer will have insufficient funds to pay Distributions on the Series A Preferred Securities. The Series A Guarantee does not cover payment of Distributions when the Series A Issuer has insufficient funds to pay such Distributions. In such event, a holder of Series A Preferred Securities may institute a legal proceeding directly against the Corporation pursuant to the terms of the Indenture to enforce payment of amounts equal to such Distributions to such holder. See "Description of Junior Subordinated Debentures--Enforcement of Certain Rights by Holders of Securities" in the accompanying Prospectus.

The obligations of the Corporation under the Series A Guarantee issued by the Corporation for the benefit of the holders of Series A Securities and under the Series A Subordinated Debentures are subordinate and junior in right of payment to all Senior Debt of the Corporation.

The Series A Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Series A Subordinated Debentures at their Stated Maturity or earlier redemption. The Series A Subordinated Debentures are redeemable prior to their Stated Maturity at the option of the Corporation (i) on or after February , 2002, in whole at any time or in part from time to time, or (ii) at any time, in whole (but not in part) within 90 days following the occurrence of a Special Event (as defined herein). The Redemption Price (as defined in the accompanying Prospectus) for each Series A Preferred Security will be equal to the Liquidation Amount of \$25 plus accrued and unpaid Distributions thereon to the date fixed for redemption.

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series A Issuer. See "Certain Terms of Series A Preferred Securities--Liquidation of Series A Issuer and Distribution of Series A Subordinated Debentures to Holders". In the event of the dissolution of the Series A Issuer, after satisfaction of liabilities to creditors of the Series A Issuer as required by applicable law, the holders of the Series A Preferred Securities will be entitled to receive a Liquidation Amount of \$25 per Series A Preferred Security plus accumulated and unpaid Distributions thereon to the date of payment, which may be in the form of a distribution of such amount in Series A Subordinated Debentures, subject to certain exceptions. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

The Corporation will have the right, subject to certain restrictions as described herein, to advance the Stated Maturity of the Series A Subordinated Debentures upon the occurrence of a Tax Event (as defined herein). See "Certain Terms of Series A Subordinated Debentures--Conditional Right to Advance Maturity".

The Corporation intends to make application to list the Series A Preferred Securities on the New York Stock Exchange, Inc. (the "NYSE"). If approved, trading of the Series A Preferred Securities on the NYSE is expected to commence within the 30-day period after the initial delivery of the Series A Preferred Securities. See "Underwriting". If the Series A Subordinated Debentures are distributed to the holders of the Series A Preferred Securities, the Corporation will use its best efforts to have the Series A Subordinated Debentures listed on the NYSE or on such other exchange as the Series A Preferred Securities are then listed.

The Series A Preferred Securities will be represented by global certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Series A Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by participants in DTC. Except as described in the accompanying Prospectus, Series A Preferred Securities in certificated form will not be issued in exchange for the global certificates. See "Certain Terms of Series A Preferred Securities--Registration of Series A Preferred Securities".

The information in this Prospectus Supplement supplements and should be read in conjunction with the information contained in the accompanying Prospectus. As used herein, (i) the "Indenture" means the Junior Subordinated Indenture, as amended and supplemented from time to time, between the Corporation and The Bank of New York, as trustee (the "Debenture Trustee"), and (ii) the "Trust Agreement" means the Amended and Restated Trust Agreement relating to the Series A Issuer among the Corporation, as Depositor, The Bank of New York, as Property Trustee (the "Property Trustee"), The Bank of New York (Delaware), as Delaware Trustee (the "Delaware Trustee"), and the Administrative Trustees named therein (collectively with the Property Trustee and Delaware Trustee, the "Issuer Trustees"). Each of the other capitalized terms used in this Prospectus Supplement and not otherwise defined in this Prospectus Supplement has the meaning set forth in the accompanying Prospectus.

#### RISK FACTORS

Prospective purchasers of the Series A Preferred Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should particularly consider the following matters. In addition, because the Series A Preferred Securities will be paid with proceeds of the Series A Subordinated Debentures and because holders of Series A Preferred Securities may receive Series A Subordinated Debentures upon liquidation of the Series A Issuer, prospective purchasers of Series A Preferred Securities are also making an investment decision with regard to the Series A Subordinated Debentures and should carefully review all the information regarding the Series A Subordinated Debentures contained herein.

#### RANKING OF SUBORDINATED OBLIGATIONS UNDER THE SERIES A GUARANTEE AND THE SERIES A SUBORDINATED DEBENTURES

The obligations of the Corporation under the Series A Guarantee issued by the Corporation for the benefit of the holders of Series A Securities and under the Series A Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all existing and future Senior Debt of the Corporation. Substantially all of the Corporation's existing indebtedness constitutes Senior Debt. At September 30, 1996, the Senior Debt of the Corporation aggregated approximately \$3.0 billion. If the Transaction is consummated using the Alternative Merger, Senior Debt of the Corporation will be substantially increased. See "Recent Developments; NorAm Merger" in the accompanying Prospectus. None of the Indenture, the Series A Guarantee, the Trust Agreement or the Expense Agreement places any limitation on the amount of secured or unsecured debt, including Senior Debt, that may be incurred by the Corporation. See "Description of Guarantees--Status of the Guarantees" and "Description of Junior Subordinated Debentures--Subordination" in the accompanying Prospectus.

The ability of the Series A Issuer to make timely payments of Distributions on the Series A Preferred Securities is solely dependent upon the Corporation making interest payments on the Series A Subordinated Debentures as and when required.

#### OPTION TO DEFER INTEREST PAYMENT; TAX CONSEQUENCES; MARKET PRICE CONSEQUENCES

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture to defer payment of interest on the Series A Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series A Subordinated Debentures. As a consequence of any such deferral of

interest payments by the Corporation, quarterly Distributions on the Series A Preferred Securities by the Series A Issuer will also be deferred during any such Extension Period. Distributions to which holders of the Series A Preferred Securities are entitled will accumulate additional Distributions thereon at the rate of % per annum, compounded quarterly from the relevant payment date for such Distributions. During any such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series A Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series A Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series A Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series A Subordinated Debentures; provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Series A Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. Upon the termination of any Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded quarterly from the Interest Payment Date for such interest, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the above requirements. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Certain Terms of Series A Preferred Securities--Distributions" and "Certain Terms of Series A Subordinated Debentures--Option to Defer Interest Payments".

Should an Extension Period occur, a holder of Series A Preferred Securities will be required to accrue income (in the form of original issue discount) in respect of its pro rata share of the Series A Subordinated Debentures held by the Series A Issuer for United States federal income tax purposes. As a result, a holder of Series A Preferred Securities will be required to include such income in gross income for United States federal income tax purposes in advance of the receipt of cash attributable to such income and will not receive the cash related to such income from the Series A Issuer if the holder disposes of the Series A Preferred Securities prior to the record date for the payment of Distributions. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount" and "--Sale or Redemption of Series A Preferred Securities". PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SERIES A PREFERRED SECURITIES.

The Corporation has no current intention of exercising its right to defer payments of interest on the Series A Subordinated Debentures. However, should the Corporation elect to exercise such right in the future, the market price of the Series A Preferred Securities is likely to be affected. A holder that disposes of its Series A Preferred Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Series A Preferred Securities.

SPECIAL EVENT REDEMPTION; PAYMENT OF ADDITIONAL SUMS; CONDITIONAL RIGHT TO ADVANCE MATURITY

Upon the occurrence and continuation of a Special Event (as defined below), the Corporation has the right to redeem the Series A Subordinated Debentures in whole (but not in part) within 90 days following the occurrence of such Special Event and thereby cause a mandatory redemption of the Series A Securities in whole (but not in part) at the Redemption Price. See "Certain Terms of Series A Preferred Securities--Redemption". In addition to the foregoing redemption right, upon the occurrence of a Tax Event (as defined below), the Corporation will have the right, subject to certain conditions, to advance the Stated Maturity of the Series A Subordinated Debentures. See "Certain Terms of Series A Subordinated Debentures--Conditional Right to Advance Maturity". If a Special Event has occurred and is continuing and the Corporation does not elect either option discussed above, the Series A Securities will remain outstanding and Additional Sums (as defined below) may be payable on the Series A Subordinated Debentures. See "Certain Terms of Series A Subordinated Debentures--Additional Sums". At any time, the Corporation has the right to direct the Property Trustee to dissolve the Series A Issuer and, after satisfaction of the liabilities of creditors of the Series A Issuer as provided by applicable law, cause the Series A Subordinated Debentures to be distributed to the holders of the Series A Securities.

A "Special Event" means a Tax Event or an Investment Company Act Event.

A "Tax Event" means the receipt by the Series A Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced proposed change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such proposed change, pronouncement or decision is announced on or after the date of issuance of the Series A Preferred Securities under the Trust Agreement, there is more than an insubstantial risk that (i) the Series A Issuer is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Series A Subordinated Debentures, (ii) interest payable by the Corporation on the Series A Subordinated Debentures is not, or within 90 days of the date of such opinion, will not be, deductible by the Corporation, in whole or in part, for United States federal income tax purposes or (iii) the Series A Issuer is, or will be within 90 days of the date of the opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

An "Investment Company Act Event" means the receipt by the Series A Issuer of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Series A Issuer is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Series A Preferred Securities.

"Additional Sums" means the additional amounts as may be necessary in order that the amount of Distributions then due and payable by the Series A Issuer on the outstanding Series A Securities shall not be reduced as a result of any additional taxes, duties and other governmental charges to which the Series A Issuer has become subject as a result of a Special Event.

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was introduced to the 104th Congress. The Bill would have,

among other things, generally denied interest deductions for interest accrued on an instrument issued by a corporation that had a maximum term of more than 20 years and that was not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument was issued to a related party (other than a corporation), where the holder or some other related party issued a related instrument that was not shown as indebtedness on the issuer's consolidated balance sheet. The Bill would have also generally denied interest deductions for interest on an instrument issued by a corporation that had a maximum weighted-average maturity of more than 40 years. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If this provision were to apply to the Series A Subordinated Debentures, the Corporation would not be able to deduct interest on the Series A Subordinated Debentures. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, would be no earlier than the date of appropriate Congressional action. Under current law, the Corporation will be able to deduct interest on the Series A Subordinated Debentures. Although the 104th Congress adjourned without enacting the above-described provisions of the Bill, there can be no assurance that current or future legislative proposals or final legislation will not adversely affect the ability of the Corporation to deduct interest on the Series A Subordinated Debentures. Such a change could give rise to a Tax Event, which would permit the Corporation to cause a redemption of the Series A Preferred Securities. See "Certain Terms of Series A Subordinated Debentures--Redemption" and "Certain Terms of the Series A Subordinated Debentures--Conditional Right to Advance Maturity" in this Prospectus Supplement and "Description of Securities--Redemption or Distribution--Distribution of Corresponding Junior Subordinated Debentures" in the accompanying Prospectus. See also "Certain Federal Income Tax Consequences--Possible Tax Law Changes".

#### DISTRIBUTION OF SERIES A SUBORDINATED DEBENTURES FOR SERIES A PREFERRED SECURITIES

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series A Issuer and, after satisfaction of liabilities to creditors of the Series A Issuer as required by applicable law, cause the Series A Subordinated Debentures to be distributed to the holders of the Series A Securities. See "Certain Terms of Series A Preferred Securities--Liquidation of Series A Issuer and Distribution of Series A Subordinated Debentures to Holders". If the Series A Subordinated Debentures are distributed to the holders of the Series A Securities, the Corporation will use its best efforts to have the Series A Subordinated Debentures listed on the NYSE or on such other exchange as the Series A Preferred Securities are then listed or traded.

Under current United States federal income tax law and interpretations, a distribution of the Series A Subordinated Debentures upon dissolution and winding up of the Series A Issuer should not be a taxable event to holders of the Series A Preferred Securities. Should there be a change in law, a change in legal interpretation, a Tax Event or other circumstances, however, the distribution could be a taxable event to the holders of the Series A Preferred Securities. See "Certain Federal Income Tax Consequences--Distribution of Series A Subordinated Debentures to Holders of Series A Preferred Securities".

#### RIGHTS UNDER THE SERIES A GUARANTEE; LIMITATION AS TO FUNDS AVAILABLE TO THE SERIES A ISSUER

The Series A Guarantee guarantees to the holders of the Series A Securities the following payments, to the extent not paid by the Series A Issuer: (i) any accumulated and unpaid Distributions required to be paid on the Series A Securities, to the extent that the Series A Issuer has funds on hand available therefor at such time; (ii) the redemption price with respect to any Series A Securities called

for redemption, to the extent that the Series A Issuer has funds on hand available therefor at such time; and (iii) upon a voluntary or involuntary dissolution and winding up of the Series A Issuer (unless the Series A Subordinated Debentures are distributed to holders of the Series A Securities), the lesser of (a) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment and (b) the amount of assets of the Series A Issuer remaining available for distribution to holders of the Series A Securities in liquidation of the Series A Issuer after payment of creditors of the Series A Issuer as required by applicable law. The Series A Guarantee will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The Bank of New York will act as the indenture trustee under the Series A Guarantee (the "Guarantee Trustee") for the purpose of compliance with the Trust Indenture Act and will hold the Series A Guarantee for the benefit of the holders of the Series A Securities. The Bank of New York will also act as Debenture Trustee for the Series A Subordinated Debentures and as Property Trustee and The Bank of New York (Delaware) will act as Delaware Trustee under the Trust Agreement.

The Series A Guarantee is subordinated as described under "--Ranking of Subordinated Obligations Under the Series A Guarantee and the Series A Subordinated Debentures".

The holders of not less than a majority in aggregate Liquidation Amount of the Series A Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Series A Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Series A Guarantee. Any holder of the Series A Preferred Securities may institute a legal proceeding directly against the Corporation to enforce its rights under the Series A Guarantee without first instituting a legal proceeding against the Series A Issuer, the Guarantee Trustee or any other person or entity. If the Corporation were to default on its obligation to pay amounts payable under the Series A Subordinated Debentures, the Series A Issuer would lack funds for the payment of Distributions or amounts payable on redemption of the Series A Securities or otherwise, and, in such event, holders of the Series A Securities would not be able to rely upon the Series A Guarantee for payment of such amounts. Instead, if a Debenture Event of Default shall have occurred and be continuing and such event is attributable to the failure of the Corporation to pay interest or premium, if any, on or principal of the Series A Subordinated Debentures on the applicable payment date, then a holder of Series A Preferred Securities may institute a legal proceeding directly against the Corporation pursuant to the terms of the Indenture for enforcement of payment to such holder of the principal of or interest or premium, if any, on such Series A Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Series A Preferred Securities held by such holder (a "Direct Action"). In connection with such Direct Action, the Corporation will have a right of set-off under the Indenture to the extent of any payment made by the Corporation to such holder of Series A Preferred Securities in the Direct Action. Except as described herein, holders of Series A Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Series A Subordinated Debentures or assert directly any other rights in respect of the Series A Subordinated Debentures. See "Description of Junior Subordinated Debentures--Enforcement of Certain Rights by Holders of Securities", "--Debenture Events of Default" and "Description of Guarantees" in the accompanying Prospectus. The Trust Agreement provides that each holder of Series A Securities by acceptance thereof agrees to the provisions of the Series A Guarantee and the Indenture.

#### LIMITED VOTING RIGHTS

Holders of Series A Preferred Securities generally will have limited voting rights relating only to the modification of the Series A Preferred Securities and to the exercise of the Series A Issuer's rights as holder of Series A Subordinated Debentures and the Series A Guarantee. Holders of Series A

Preferred Securities will not be entitled to vote to appoint, remove or replace the Property Trustee, the Delaware Trustee or any Administrative Trustee, and such voting rights are vested exclusively in the holder of the Series A Common Securities except, with respect to the Property Trustee and the Delaware Trustee, upon the occurrence of certain events described in the accompanying Prospectus. The Property Trustee, the Administrative Trustees and the Corporation may amend the Trust Agreement without the consent of holders of Series A Preferred Securities to ensure that the Series A Issuer will be classified for United States federal income tax purposes as a grantor trust unless such action materially and adversely affects the interests of such holders. See "Description of Securities--Voting Rights; Amendment of Each Trust Agreement" and "--Removal of Issuer Trustees" in the accompanying Prospectus.

#### TRADING CHARACTERISTICS OF SERIES A PREFERRED SECURITIES

The Corporation intends to make application to list the Series A Preferred Securities on the NYSE. If approved, trading of the Series A Preferred Securities on the NYSE is expected to commence within the 30-day period after the initial delivery of the Series A Preferred Securities. The Series A Preferred Securities may trade at prices that do not fully reflect the value of accrued and unpaid interest with respect to the underlying Series A Subordinated Debentures. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount" and "--Sale or Redemption of Series A Preferred Securities" for a discussion of the United States federal income tax consequences that may result from a taxable disposition of the Series A Preferred Securities.

#### MARKET PRICES

There can be no assurance as to the market prices for Series A Preferred Securities or Series A Subordinated Debentures that may be distributed upon dissolution and winding up of the Series A Issuer. Accordingly, the Series A Preferred Securities that an investor may purchase, whether pursuant to the offer made hereby or in the secondary market, or the Series A Subordinated Debentures that a holder of Series A Preferred Securities may receive upon dissolution and winding up of the Series A Issuer, may trade at a discount to the price that the investor paid to purchase the Series A Preferred Securities offered hereby. As a result of the existence of the Corporation's right to defer interest payments, the market price of the Series A Preferred Securities (which represent undivided beneficial interests in the assets of the Series A Issuer) may be more volatile than the market prices of other securities that are not subject to such optional deferrals. See "Certain Terms of Series A Subordinated Debentures" herein and "Description of Junior Subordinated Debentures--Corresponding Junior Subordinated Debentures" in the accompanying Prospectus.

#### HL&P CAPITAL TRUST I

HL&P Capital Trust I (the "Series A Issuer") is a statutory business trust created under Delaware law pursuant to (i) the Trust Agreement executed by the Corporation, as Depositor, and The Bank of New York (Delaware), as Delaware Trustee, and (ii) the filing of a certificate of trust with the Delaware Secretary of State on January 10, 1997. The Series A Issuer's business and affairs are conducted by the Issuer Trustees: The Bank of New York, as Property Trustee, and The Bank of New York (Delaware), as Delaware Trustee, and two individual Administrative Trustees who will be selected by the Corporation. The Series A Issuer exists for the exclusive purposes of (i) issuing and selling the Series A Preferred Securities and Series A Common Securities, (ii) using the proceeds from the sale of such Series A Securities to acquire Series A Subordinated Debentures issued by the Corporation and (iii) engaging in only those other activities necessary, convenient or incidental thereto set forth in the Trust Agreement (such as registering the transfer of the Series A Preferred Securities). Accordingly, the Series A Subordinated Debentures and the right to reimbursement under the Expense Agreement will be substantially all the assets of the Series A Issuer, and payments under the Series A

Subordinated Debentures and the Expense Agreement will be the only revenues of the Series A Issuer. All of the Series A Common Securities will be owned by the Corporation. The Series A Common Securities will rank pari passu, and payments will be made thereon pro rata, with the Series A Preferred Securities, except that upon the occurrence and continuance of an event of default under the Trust Agreement resulting from an event of default under the Indenture, the rights of the Corporation as holder of the Series A Common Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the Series A Preferred Securities. See "Description of Securities--Subordination of Common Securities" in the accompanying Prospectus. The Corporation will acquire Series A Common Securities in an aggregate Liquidation Amount equal to 3% of the total capital of the Series A Issuer. The Series A Issuer has a term of approximately 55 years, but may be dissolved earlier as provided in the Trust Agreement. The principal executive office of the Series A Issuer is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899, and its telephone number is (302) 655-8894. See "The Issuers" in the accompanying Prospectus.

It is anticipated that the Series A Issuer will not be subject to the reporting requirements under the Exchange Act.

HOUSTON LIGHTING & POWER COMPANY

SELECTED FINANCIAL INFORMATION OF THE CORPORATION

The following table presents summary financial data derived from the financial statements of the Corporation. This summary is qualified in its entirety by the detailed information and financial statements included in the documents incorporated herein by reference. See "Incorporation of Certain Documents by Reference" in the accompanying Prospectus. The Corporation is a party to an Agreement and Plan of Merger, dated as of August 11, 1996, as amended, among the Corporation, Houston Industries Incorporated ("Houston Industries"), HI Merger, Inc. and NorAm Energy Corp. ("NorAm"). For more information regarding the Corporation and the proposed merger, see "Houston Lighting & Power Company" and "Recent Developments; NorAm Merger" in the accompanying Prospectus. No adjustment has been made to reflect the potential impact of the Transaction.

	AS OF OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993	1992	1991
	(THOUSANDS OF DOLLARS)						
Revenues.....	\$ 3,142,234	\$ 2,896,180	\$ 3,680,297	\$ 3,746,085	\$ 4,079,863	\$ 3,826,841	\$ 3,674,543
Income after preferred dividends but before cumulative effect of change in accounting(1).....	\$ 374,129	\$ 416,941	\$ 450,977	\$ 461,381	\$ 449,750	\$ 375,955	\$ 472,712
Cumulative effect of change in accounting (2).....				(8,200)		94,180	
Income after preferred dividends.....	\$ 374,129	\$ 416,941	\$ 450,977	\$ 453,181	\$ 449,750	\$ 470,135	\$ 472,712
Return on average common equity.....	9.6%	10.7%	11.8%	12.0%	12.3%	13.3%	13.8%
Total assets.....	\$10,486,947	\$10,928,449	\$10,665,259	\$10,850,981	\$10,753,616	\$10,790,052	\$10,620,642
Long-term obligations including current maturities(3).....	\$ 2,932,064	\$ 3,239,499	\$ 3,220,015	\$ 3,356,789	\$ 3,402,032	\$ 3,796,719	\$ 4,150,454
Capitalization:							
Common stock equity....	55%	53%	52%	51%	50%	47%	44%
Cumulative preferred stock (including current maturities)...	5%	5%	6%	7%	7%	7%	6%
Long-term debt (including current maturities).....	40%	42%	42%	42%	43%	46%	50%
Capital and nuclear fuel expenditures (excluding AFUDC).....	\$ 224,844	\$ 287,593	\$ 391,550	\$ 412,899	\$ 329,016	\$ 337,082	\$ 365,486
Percent of capital expenditures financed internally from operations.....	183%	148%	110%	216%	158%	137%	126%

- (1) A one-time after-tax charge of \$62 million was recorded in the first quarter of 1996 in connection with the settlement of litigation relating to the South Texas Project Electric Generating Station.
- (2) The 1994 cumulative effect relates to the change in accounting for postemployment benefits. The 1992 cumulative effect relates to the change in accounting for revenues from a cycle billing to a full accrual method effective January 1, 1992.
- (3) Includes Cumulative Preferred Stock subject to mandatory redemption.

RECENT DEVELOPMENTS OF HL&P

On January 24, 1997, HL&P announced financial results for the quarter and year ended December 31, 1996. HL&P reported income after preferred dividends of \$407 million for 1996 compared with \$451 million the previous year. The decrease was due to a \$62 million one-time charge associated with the settlement of litigation claims related to the South Texas Project Electric Generating Station and \$33 million amortization of its investment in certain lignite reserves, under the terms of its last rate order. Increased sales resulting from favorable weather and economic conditions helped offset the effects discussed above. Total kilowatt-hour sales rose 6% during 1996, with increases of 4% in the residential class, 3% in commercial and 7% in industrial sales.

HL&P's fourth quarter income after preferred dividends was \$33 million in 1996 compared to \$34 million in 1995. Fourth quarter 1996 earnings reflect \$22 million of the amortization discussed above.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Corporation's ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividend requirements for each of the periods indicated:

	FOR THE NINE MONTHS ENDED		FOR THE				
	SEPTEMBER 30,		YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993	1992	1991
Ratio of earnings to fixed charges before cumulative effect of change in accounting(1).....	4.27	4.30	3.75	3.80	3.40	2.73	2.97
Ratio of earnings to fixed charges and preferred dividend requirements before cumulative effect of change in accounting(1).....	3.73	3.66	3.20	3.20	2.90	2.34	2.53

(1) The Corporation believes that the ratios for the nine-month periods are not necessarily indicative of the ratios for twelve-month periods due to the seasonal nature of the Corporation's business and, with regard to the ratio for the nine months ended September 30, 1996, the recording of a \$62 million after-tax charge to earnings for the first quarter of 1996.

USE OF PROCEEDS

All of the proceeds from the sale of the Series A Preferred Securities will be invested by the Series A Issuer in Series A Subordinated Debentures. The Corporation intends that the proceeds from the sale of the Series A Subordinated Debentures will be added to its general corporate funds and will be used for general corporate purposes, including funding the redemption or repurchase of shares of its outstanding preferred stock, including, without limitation, the following: 250,000 shares of the Corporation's \$6.72 Cumulative Preferred Stock at a price of \$102.51 per share, plus the amount of any dividends accrued or in arrears thereon to the date fixed for redemption; 500,000 shares of the Corporation's \$7.52 Cumulative Preferred Stock at a price of \$102.35 per share, plus the amount of any dividends accrued or in arrears thereon to the date fixed for redemption; and 500,000 shares of the Corporation's \$8.12 Cumulative Preferred Stock at a price of \$102.25 per share, plus the amount of any dividends accrued or in arrears thereon to the date fixed for redemption.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as of September 30, 1996 and as adjusted to give effect to the consummation of the offering of an aggregate of \$350 million of the Series A Preferred Securities, other Preferred Securities or Capital Securities and the redemption of preferred stock having an aggregate fixed liquidation value of \$220 million in the fourth quarter of 1996. No adjustment has been made to reflect (i) the potential impact of the Transaction or (ii) the issuance of \$118 million aggregate principal amount of revenue refunding bonds by the Corporation in the first quarter of 1997, which issuance had no effect on the total long-term debt of the Corporation. The following data should be read in conjunction with the financial statements and notes thereto of the Corporation incorporated herein by reference.

	SEPTEMBER 30, 1996	
	ACTUAL	AS ADJUSTED
	(THOUSANDS OF DOLLARS)	
Common Stock Equity:		
Common stock, class A; no par value.....	\$1,524,949	\$1,524,949
Common stock, class B; no par value.....	150,978	150,978
Retained earnings.....	2,277,465	2,277,465
Total common stock equity.....	3,953,392	3,953,392
Cumulative Preferred Stock (excluding current portion):		
Not subject to mandatory redemption (1).....	351,345	135,178
Subject to mandatory redemption.....	0	0
Total cumulative preferred stock.....	351,345	135,178
Company Obligated Mandatorily Redeemable Trust Securities(2).....	0	350,000
Long-Term Debt (excluding current maturities):		
First mortgage bonds.....	2,704,848	2,704,848
Pollution control revenue bonds.....	5,000	5,000
Other.....	2,756	2,756
Total long-term debt.....	2,712,604	2,712,604
Total capitalization.....	\$7,017,341	\$7,151,174

- (1) The adjusted amount reflects the redemption in the fourth quarter of 1996 of the Corporation's Variable Term Cumulative Preferred Stock, Series A, B, C and D having an aggregate fixed liquidation value of \$220 million. Such preferred stock was reflected on the Corporation's financial statements at \$216 million as a result of expenses of the original issuance.
- (2) As described herein and in the accompanying Prospectus, substantially all of the assets of the respective Issuers will be Junior Subordinated Debentures of the Corporation with an aggregate principal amount not exceeding \$360,825,000, and upon redemption of such debt, the related Securities will be mandatorily redeemable.

ACCOUNTING TREATMENT

For financial reporting purposes, the Series A Issuer will be treated as a subsidiary of the Corporation and, accordingly, the accounts of the Series A Issuer will be included in the financial statements of the Corporation. The Series A Preferred Securities will be reflected in the consolidated balance sheets of the Corporation as "Company Obligated Mandatorily Redeemable Trust Securities", and appropriate disclosures about the Series A Preferred Securities, the Series A Guarantee and the Series A Subordinated Debentures and the Expense Agreement will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Corporation will record Distributions payable on the Series A Preferred Securities as an expense.

## CERTAIN TERMS OF SERIES A PREFERRED SECURITIES

### GENERAL

The following summary of certain terms and provisions of the Series A Preferred Securities supplements the description of the terms and provisions of the Securities set forth in the accompanying Prospectus under the heading "Description of Securities", to which description reference is hereby made. The Trust Agreement will be qualified as an indenture under the Trust Indenture Act. The Property Trustee will act as the indenture trustee with respect to the Series A Issuer for purposes of compliance with the Trust Indenture Act. This summary of certain terms and provisions of the Series A Preferred Securities, which describes the material provisions thereof, does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Trust Agreement to which description reference is hereby made. The form of the Trust Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement and accompanying Prospectus form a part.

### DISTRIBUTIONS

The Series A Preferred Securities represent undivided beneficial interests in the assets of the Series A Issuer. The ability of the Series A Issuer to make timely payments of Distributions on the Series A Preferred Securities is solely dependent upon the Corporation making interest payments on the Series A Subordinated Debentures as and when required. Distributions on Series A Preferred Securities will be payable at the annual rate of % of the stated Liquidation Amount of \$25, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, to the holders of the Series A Preferred Securities on the relevant record dates. The record dates for the Series A Preferred Securities will be, for so long as the Series A Preferred Securities remain in book-entry form, one Business Day (as defined in the accompanying Prospectus) prior to the relevant Distribution payment date and, in the event the Series A Preferred Securities are not in book-entry form, the 15th day of the month immediately preceding the relevant Distribution payment date. Distributions will accumulate from the date of original issuance. The first Distribution payment date for the Series A Preferred Securities will be March 31, 1997. The amount of Distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions for any partial period will be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. In the event that any date on which Distributions are payable on the Series A Preferred Securities is not a Business Day, then payment of the Distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any additional Distributions or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. See "Description of Securities--Distributions" in the accompanying Prospectus.

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture to defer payment of interest on the Series A Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series A Subordinated Debentures. As a consequence of any such deferral of interest payments by the Corporation, quarterly Distributions on the Series A Preferred Securities by the Series A Issuer will also be deferred during any such Extension Period. Distributions to which holders of the Series A Preferred Securities are entitled will accumulate additional Distributions thereon at the rate of % per annum, compounded quarterly from the relevant payment date for such Distributions. The term "Distributions" as used herein shall include any such additional Distributions. During any such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or

redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series A Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series A Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series A Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series A Subordinated Debentures; provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Series A Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded quarterly from the Interest Payment Date for such interest, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Certain Terms of Series A Subordinated Debentures--Option to Defer Interest Payments" and "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

The Corporation has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Series A Subordinated Debentures.

#### REDEMPTION

Upon the repayment or redemption, in whole or in part, of the Series A Subordinated Debentures, whether at Stated Maturity or upon earlier redemption as provided in the Indenture, the proceeds from such repayment or redemption shall be applied by the Property Trustee to redeem a Like Amount (as defined in the accompanying Prospectus) of the Series A Securities. See "Description of Securities--Redemption or Distribution--Mandatory Redemption" in the accompanying Prospectus. The Corporation has the right to redeem the Series A Subordinated Debentures (i) on or after February , 2002, in whole at any time or in part from time to time, or (ii) at any time, in whole (but not in part) within 90 days following the occurrence of a Special Event. A redemption of the Series A Subordinated Debentures would cause a mandatory redemption of the Series A Securities. If a partial redemption of the Series A Subordinated Debentures would result in the delisting of the Series A Preferred Securities, the Corporation may only redeem the Series A Subordinated Debentures in whole. At any time, the Corporation has the right to direct the Property Trustee to dissolve the Series A Issuer and, after satisfaction of the liabilities of creditors of the Series A Issuer as provided by applicable law, cause the Series A Subordinated Debentures to be distributed to the holders of the Series A Securities. If a Special Event has occurred and is continuing and the Corporation does not elect either option discussed above, the Series A Securities will remain outstanding and Additional Sums may be payable on the Series A Subordinated Debentures.

The Redemption Price for each Series A Preferred Security will be equal to the Liquidation Amount of \$25 plus accrued and unpaid Distributions thereon to the date fixed for redemption.

## LIQUIDATION OF SERIES A ISSUER AND DISTRIBUTION OF SERIES A SUBORDINATED DEBENTURES TO HOLDERS

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series A Issuer and, after satisfaction of liabilities to creditors of the Series A Issuer as required by applicable law, cause the Series A Subordinated Debentures to be distributed to the holders of the Series A Securities. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus. If the Series A Subordinated Debentures are distributed to the holders of the Series A Preferred Securities, the Corporation will use its best efforts to have the Series A Subordinated Debentures listed on the NYSE or on such other exchange as the Series A Preferred Securities are then listed.

Under current United States federal income tax law and interpretations, a distribution of the Series A Subordinated Debentures upon dissolution and winding up of the Series A Issuer should not be a taxable event to holders of the Series A Preferred Securities. Should there be a change in law, a change in legal interpretation, a Tax Event or other circumstances, however, the distribution could be a taxable event to holders of the Series A Preferred Securities. See "Certain Federal Income Tax Consequences--Distribution of Series A Subordinated Debentures to Holders of Series A Preferred Securities". If the Corporation elects neither to redeem the Series A Subordinated Debentures prior to maturity nor to liquidate the Series A Issuer and distribute the Series A Subordinated Debentures to holders of the Series A Preferred Securities, the Series A Preferred Securities will remain outstanding until the Stated Maturity of the Series A Subordinated Debentures.

## LIQUIDATION VALUE

The amount payable on each of the Series A Preferred Securities in the event of any liquidation of the Series A Issuer is \$25 plus accumulated and unpaid Distributions, which amount may be paid in the form of a distribution of a Like Amount in Series A Subordinated Debentures, subject to certain exceptions. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

## EVENTS OF DEFAULT; NOTICE; REMOVAL OF TRUSTEES

Any one of the following events constitutes an "Event of Default" under the Trust Agreement with respect to the Series A Securities issued thereunder (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (i) the occurrence of a Debenture Event of Default under the Indenture (see "Description of Junior Subordinated Debentures--Debenture Events of Default" in the accompanying Prospectus);
- (ii) default by the Series A Issuer in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days;
- (iii) default by the Series A Issuer in the payment of any Redemption Price of any Series A Security when it becomes due and payable;
- (iv) default in the performance or breach, in any material respect, of any covenant or warranty of the Issuer Trustees in the Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the defaulting Issuer Trustee or Trustees and the Corporation by the holders of at least 25% in aggregate Liquidation Amount of the outstanding Series A Preferred Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Agreement;  
or
- (v) the occurrence of certain events of bankruptcy or insolvency with respect to the Series A Issuer.

Within ten Business Days after the occurrence of any Event of Default actually known to a Responsible Officer of the Property Trustee (as defined in the Trust Agreement), the Property Trustee shall transmit notice of such Event of Default to the holders of the Series A Securities, the Administrative Trustees and the Corporation, as Depositor, unless such Event of Default shall have been cured or waived. If an Event of Default shall have occurred and is continuing, the Property Trustee shall enforce the Trust Agreement for the benefit of the holders of the Series A Securities. The Corporation, as Depositor, and the Administrative Trustees are required to file annually with the Property Trustee a certificate as to whether or not they are in compliance with all the conditions and covenants applicable to them under the Trust Agreement.

If an Event of Default resulting from any Debenture Event of Default occurs and is continuing, then, pursuant to the Trust Agreement, holders of a majority in aggregate Liquidation Amount of Series A Preferred Securities will have the right to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement. Upon a Debenture Event of Default specified in clause (i) or clause (ii) in the list of Debenture Events of Default, a holder of Series A Preferred Securities may institute a legal proceeding directly against the Corporation, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series A Subordinated Debentures having a principal amount equal to the aggregate stated Liquidation Amount of the Series A Preferred Securities of such holder. See "Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees" in the accompanying Prospectus.

If a Debenture Event of Default has occurred and is continuing, the Series A Preferred Securities shall have a preference over the Series A Common Securities. See "Description of Securities--Subordination of Common Securities" and "--Liquidation Distribution Upon Termination" in the accompanying Prospectus. The existence of an Event of Default, other than an Event of Default described in clause (i) above, does not entitle the holders of Series A Preferred Securities to accelerate the maturity thereof. Following an Event of Default as described in clause (i) above, the holders of at least 25% in aggregate Liquidation Amount of the outstanding Series A Preferred Securities will have the right to declare the principal of all of the Series A Subordinated Debentures to be immediately due and payable as set forth in the Indenture.

Unless a Debenture Event of Default shall have occurred and be continuing, each of the Property Trustee, the Delaware Trustee and the Administrative Trustees of the Series A Issuer may be removed at any time by act of the Corporation as the holder of the Series A Common Securities. If a Debenture Event of Default has occurred and is continuing with regard to the Series A Issuer, the Property Trustee and the Delaware Trustee may be removed at such time by act of the holders of a majority in Liquidation Amount of the Series A Preferred Securities, delivered to such Trustee (in its individual capacity and, in the case of the Property Trustee, on behalf of the Series A Issuer). No resignation or removal of any Trustee and no appointment of a successor Trustee will be effective until the acceptance of appointment by the successor Trustee in accordance with the requirements of the Trust Agreement.

#### REGISTRATION OF SERIES A PREFERRED SECURITIES

The Series A Preferred Securities will be represented by global certificates registered in the name of DTC or its nominee. Beneficial interests in the Series A Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by participants in DTC. Except as described below and in the accompanying Prospectus, Series A Preferred Securities in certificated form will not be issued in exchange for the global certificates. See "Book-Entry Issuance" in the accompanying Prospectus.

A global security shall be exchangeable for Series A Preferred Securities registered in the names of persons other than DTC or its nominee only if (i) DTC notifies the Series A Issuer that it is unwilling or unable to continue as a depository for such global security and no successor depository shall have been appointed, or if at any time DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered to act as such depository, (ii) the Series A Issuer in its sole discretion determines that such global security shall be so exchangeable or (iii) there shall have occurred and be continuing an event of default under the Indenture with respect to the Series A Subordinated Debentures. Any global security that is exchangeable pursuant to the preceding sentence shall be exchangeable for definitive certificates registered in such names as DTC shall direct. It is expected that such instructions will be based upon directions received by DTC from its Participants (as defined in the accompanying Prospectus) with respect to ownership of beneficial interests in such global security. In the event that Series A Preferred Securities are issued in definitive form, such Series A Preferred Securities will be in denominations of \$25 and integral multiples thereof and may be transferred or exchanged at the offices described below.

Payments on Series A Preferred Securities represented by a global security will be made to DTC, as the depository for the Series A Preferred Securities. In the event Series A Preferred Securities are issued in certificated form, the Liquidation Amount and Distributions will be payable, the transfer of the Series A Preferred Securities will be registrable, and Series A Preferred Securities will be exchangeable for Series A Preferred Securities of other denominations of a like aggregate Liquidation Amount, at the corporate office of the Property Trustee in New York, New York, or at the offices of any paying agent or transfer agent appointed by the Administrative Trustees; provided that payment of any Distribution may be made at the option of the Administrative Trustees by check mailed to the address of the persons entitled thereto or by wire transfer. In addition, if the Series A Preferred Securities are issued in certificated form, the record dates for payment of Distributions will be the 15th day of the month immediately preceding the relevant Distribution payment date. For a description of DTC and the terms of the depository arrangements relating to payments, transfers, voting rights, redemptions and other notices and other matters, see "Book-Entry Issuance" in the accompanying Prospectus.

#### CERTAIN TERMS OF SERIES A SUBORDINATED DEBENTURES

##### GENERAL

The following summary of certain terms and provisions of the Series A Subordinated Debentures supplements the description of the terms and provisions of the Corresponding Junior Subordinated Debentures (as defined in the accompanying Prospectus) set forth in the accompanying Prospectus under the heading "Description of Junior Subordinated Debentures", to which description reference is hereby made. The summary of certain terms and provisions of the Series A Subordinated Debentures set forth below, which describes the material provisions thereof, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Indenture to which description reference is hereby made. The form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement and accompanying Prospectus form a part.

Concurrently with the issuance of the Series A Preferred Securities, the Series A Issuer will invest the proceeds thereof, together with the consideration paid by the Corporation for the Series A Common Securities, in the Series A Subordinated Debentures issued by the Corporation. The Series A Subordinated Debentures will bear interest at the annual rate of % of the principal amount thereof, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date"), commencing March 31, 1997, to the person in whose name each Series A Subordinated Debenture is registered at the close of business on the Business Day next

preceding such Interest Payment Date. It is anticipated that, until the liquidation, if any, of the Series A Issuer, each of the Series A Subordinated Debentures will be held by the Property Trustee in trust for the benefit of the holders of the Series A Preferred Securities. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any partial period will be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. In the event that any date on which interest is payable on the Series A Subordinated Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. Accrued interest that is not paid on the applicable Interest Payment Date will bear additional interest on the amount thereof (to the extent permitted by law) at the rate of % per annum, compounded quarterly from the relevant Interest Payment Date. The term "interest" as used herein shall include quarterly interest payments, interest on quarterly interest payments not paid on the applicable Interest Payment Date and Additional Sums, as applicable.

The Series A Subordinated Debentures will be issued as a series of junior subordinated deferrable interest debentures under the Indenture. The Series A Subordinated Debentures will be issuable only in registered form without coupons in denominations of \$25 and any integral multiples thereof.

The Series A Subordinated Debentures will mature on March 31, 2046, subject to advancement as described under "--Conditional Right to Advance Maturity".

The Series A Subordinated Debentures are not subject to any sinking fund provisions.

The Series A Subordinated Debentures will be unsecured and will rank junior and be subordinate in right of payment to all existing and future Senior Debt of the Corporation. Substantially all of the Corporation's existing indebtedness constitutes Senior Debt. At September 30, 1996, the Senior Debt of the Corporation aggregated approximately \$3.0 billion. If the Transaction is consummated using the Alternative Merger, Senior Debt of the Corporation will be substantially increased. See "Recent Developments; NorAm Merger" in the accompanying Prospectus. None of the Indenture, the Guarantee, the Trust Agreement or the Expense Agreement places any limitation on the incurrence or issuance of other secured or unsecured debt of the Corporation, including Senior Debt, whether under the Indenture, any existing indenture or any other indenture that the Corporation may enter into in the future or otherwise. See "Risk Factors--Ranking of Subordinated Obligations Under the Series A Guarantee and the Series A Subordinated Debentures" herein and "Description of Junior Subordinated Debentures--Subordination" in the accompanying Prospectus.

#### OPTION TO DEFER INTEREST PAYMENTS

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture at any time or from time to time during the term of the Series A Subordinated Debentures to defer payment of interest on the Series A Subordinated Debentures for a period not exceeding 20 consecutive quarters with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series A Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. At the end of such Extension Period, the Corporation must pay all interest then accrued and unpaid on the Series A Subordinated Debentures (together with interest on such

unpaid interest, to the extent permitted by applicable law, at the annual rate of % , compounded quarterly from the relevant Interest Payment Date). During an Extension Period, a holder of Series A Subordinated Debentures (or a holder of Series A Preferred Securities while such series is outstanding) will be required to accrue income (in the form of original issue discount) for United States federal income tax purposes. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

During any such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series A Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series A Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series A Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series A Subordinated Debentures; provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Series A Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of % , compounded quarterly from the relevant Interest Payment Date, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Corporation must give the Property Trustee, the Administrative Trustees and the Debenture Trustee notice of its election to begin such Extension Period at least one Business Day prior to the earliest of (i) the date Distributions on the Series A Preferred Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to the NYSE, the Nasdaq National Market or other applicable stock exchange or automated quotation system on which the Series A Preferred Securities are then listed or quoted or to holders of Series A Subordinated Debentures on the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Debenture Trustee shall give notice of the Corporation's election to begin a new Extension Period to the holders of the Series A Subordinated Debentures. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Description of Junior Subordinated Debentures--Option to Defer Interest Payments" in the accompanying Prospectus.

#### ADDITIONAL SUMS

If the Series A Issuer is required to pay any additional taxes, duties or other governmental charges as a result of a Special Event, the Corporation will pay as additional amounts on the Series A Subordinated Debentures such amounts as shall be required so that the Distributions payable by the Series A Issuer shall not be reduced as a result of any such additional taxes, duties or other governmental charges.

In the Expense Agreement, the Corporation, as the holder of the Series A Common Securities, has agreed to pay all debts and other obligations, other than with respect to the Series A Preferred Securities, and all costs and expenses of the Series A Issuer. Such obligations, costs and expenses will include, among others, costs and expenses relating to the organization of the Series A Issuer, the fees and expenses of the Trustees and the costs and expenses relating to the operation of the Series A Issuer.

#### REDEMPTION

The Series A Subordinated Debentures are redeemable prior to maturity at the option of the Corporation (i) on or after February , 2002, in whole at any time or in part from time to time, or (ii) at any time, in whole (but not in part) within 90 days following the occurrence of a Special Event in each case at the Redemption Price described below. The proceeds of any such redemption will be used by the Series A Issuer to redeem the Series A Securities. If a partial redemption of the Series A Subordinated Debentures would result in the delisting of the Series A Preferred Securities, the Corporation may only redeem the Series A Subordinated Debentures in whole.

The Redemption Price for each Series A Subordinated Debenture will be equal to the principal amount of such Series A Subordinated Debenture plus accrued and unpaid interest to the date fixed for redemption.

#### DISTRIBUTION OF SERIES A SUBORDINATED DEBENTURES

As described under "Certain Terms of Series A Preferred Securities-- Liquidation of Series A Issuer and Distribution of Series A Subordinated Debentures to Holders", under certain circumstances involving the termination of the Series A Issuer, Series A Subordinated Debentures may be distributed to the holders of the Series A Preferred Securities upon liquidation of the Series A Issuer after satisfaction of liabilities to creditors of the Series A Issuer as provided by applicable law. If distributed to holders of Series A Preferred Securities, the Series A Subordinated Debentures will initially be issued in the form of one or more global securities and DTC, or any successor depository for the Series A Preferred Securities, will act as depository for the Series A Subordinated Debentures. If the Series A Subordinated Debentures are distributed to the holders of the Series A Preferred Securities, the Corporation will use its best efforts to have the Series A Subordinated Debentures listed on the NYSE or on such other exchange as the Series A Preferred Securities are then listed. There can be no assurance as to the market price of any Series A Subordinated Debentures that may be distributed to the holders of Series A Preferred Securities.

#### CONDITIONAL RIGHT TO ADVANCE MATURITY

If a Tax Event occurs, then the Corporation will have the right (a) prior to the dissolution of the Series A Issuer, to advance the Stated Maturity of the Series A Subordinated Debentures to the minimum extent required, but not less than 19 and one-half years from the date of original issuance thereof, or (b) to direct the Property Trustee to dissolve the Series A Issuer (if not previously dissolved) and advance the Stated Maturity of the Series A Subordinated Debentures to the minimum extent required, but not less than 19 and one-half years from the date of original issuance thereof, in each case such that in the opinion of counsel to the Corporation experienced in such matters, after advancing the Stated Maturity, interest paid on the Series A Subordinated Debentures will be deductible for federal income tax purposes.

#### REGISTRATION OF SERIES A SUBORDINATED DEBENTURES

The Series A Subordinated Debentures will be registered in the name of the Property Trustee on behalf of the Series A Issuer. In the event that the Series A Subordinated Debentures are distributed to holders of Series A Preferred Securities, it is anticipated that the depository and other arrangements for the Series A Subordinated Debentures will be substantially identical to those in effect for the Series A Preferred Securities. See "Certain Terms of Series A Preferred Securities--Registration of Series A Preferred Securities".

## CERTAIN TERMS OF SERIES A GUARANTEE

Pursuant to the Series A Guarantee, the Corporation guarantees to the holders of the Series A Securities the following payments, to the extent not paid by the Series A Issuer: (i) any accumulated and unpaid Distributions required to be paid on the Series A Securities, to the extent that the Series A Issuer has funds on hand available therefor at such time, (ii) the Redemption Price with respect to any Series A Securities called for redemption, to the extent that the Series A Issuer has funds on hand available therefor at such time, and (iii) upon a voluntary or involuntary dissolution and winding-up of the Series A Issuer (unless the Series A Subordinated Debentures are distributed to holders of the Series A Securities), the lesser of (a) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment and (b) the amount of assets of the Series A Issuer remaining available for distribution to holders of the Series A Securities in liquidation of the Series A Issuer after payment of creditors of the Series A Issuer as required by applicable law. The Series A Guarantee will be qualified as an indenture under the Trust Indenture Act. The Bank of New York will act as the Guarantee Trustee for the purposes of compliance with the Trust Indenture Act and will hold the Series A Guarantee for the benefit of the holders of the Series A Securities. The Bank of New York will also act as Debenture Trustee for the Series A Subordinated Debentures and as Property Trustee.

The holders of not less than a majority in aggregate Liquidation Amount of the Series A Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect to the Series A Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Series A Guarantee. Any holder of the Series A Securities may institute a legal proceeding directly against the Corporation to enforce its rights under the Series A Guarantee without first instituting a legal proceeding against the Series A Issuer, the Guarantee Trustee or any other person or entity. If the Corporation were to default on its obligation to pay amounts payable under the Series A Subordinated Debentures, the Series A Issuer would lack funds for the payment of Distributions or amounts payable on redemption of the Series A Securities or otherwise, and, in such event, holders of the Series A Securities would not be able to rely upon the Series A Guarantee for payment of such amounts. Instead, if any Debenture Event of Default shall have occurred and be continuing and such event is attributable to the failure of the Corporation to pay interest or premium, if any, on or principal of the Series A Subordinated Debentures on the applicable payment date, then a holder of Series A Securities may institute a Direct Action against the Corporation pursuant to the terms of the Indenture for enforcement of payment to such holder of the principal of or interest or premium, if any, on such Series A Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Series A Securities of such holder. In connection with such Direct Action, the Corporation will have a right of set-off under the Indenture to the extent of any payment made by the Corporation to such holder of Series A Securities in the Direct Action. Except as described herein, holders of Series A Securities will not be able to exercise directly any other remedy available to the holders of the Series A Subordinated Debentures or assert directly any other rights in respect of the Series A Subordinated Debentures. See "Description of Guarantees" in the accompanying Prospectus. The Trust Agreement provides that each holder of Series A Securities by acceptance thereof agrees to the provisions of the Series A Guarantee, the Expense Agreement and the Indenture.

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the principal United States federal income tax consequences of the purchase, ownership and disposition of Series A Preferred Securities. This summary only addresses the tax consequences to a person that acquires Series A Preferred Securities on their original issue at their original offering price and that is (i) an individual citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any state thereof or the District of Columbia or (iii) an estate or trust, the income of which is subject to United States federal income tax regardless of source (a "United States Person"). This summary does not address all tax consequences that may be applicable to a United States Person that is a beneficial owner of Series A Preferred Securities, nor does it address the tax consequences to (i) persons that are not United States Persons, (ii) persons that may be subject to special treatment under United States federal income tax law such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations and dealers in securities or currencies, (iii) persons that will hold Series A Preferred Securities as part of a position in a "straddle" or as part of a "hedging", "conversion" or other integrated investment transaction for federal income tax purposes, (iv) persons whose functional currency is not the United States dollar or (v) persons that do not hold Series A Preferred Securities as capital assets.

The statements of law or legal conclusion set forth in this summary constitute the opinion of Baker & Botts, L.L.P., counsel to the Corporation and the Series A Issuer. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, Internal Revenue Service rulings and pronouncements and judicial decisions in effect on the date of this Prospectus Supplement, all of which are subject to change at any time. Such changes may be applied retroactively in a manner that could cause the tax consequences to vary substantially from the consequences described below, possibly adversely affecting a beneficial owner of Series A Preferred Securities. In particular, legislation was previously proposed that could have adversely affected the Corporation's ability to deduct interest on the Series A Subordinated Debentures, which would in turn have permitted the Corporation to cause a redemption of the Series A Preferred Securities or to advance the Stated Maturity of the Series A Subordinated Debentures. See "--Possible Tax Law Changes" and "Certain Terms of Series A Subordinated Debentures-- Conditional Right to Advance Maturity". The authorities on which this summary is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the purchase, ownership and disposition of Series A Preferred Securities may differ from the treatment described below.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES AS TO THE FEDERAL TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SERIES A PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

### CLASSIFICATION OF THE SERIES A ISSUER

Assuming compliance with the terms of the Trust Agreement and certain similar factual matters, the Series A Issuer will be classified as a grantor trust and will not be classified as an association taxable as a corporation for United States federal income tax purposes. As a result, each beneficial owner of Series A Preferred Securities (a "Securityholder") will be required to include in its gross income its pro rata share of the interest income, including original issue discount, paid or accrued with respect to the Series A Subordinated Debentures whether or not cash is actually distributed to the Securityholders. See "--Interest Income and Original Issue Discount".

## INTEREST INCOME AND ORIGINAL ISSUE DISCOUNT

Under recently issued Treasury Regulations applicable to debt instruments issued on or after August 13, 1996 (the "Regulations"), a "remote" contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount ("OID"). The Corporation believes that the likelihood of its exercising its option to defer payments is remote. Based on the foregoing, the Series A Subordinated Debentures will not be considered to be issued with OID at the time of their original issuance and, accordingly, a Securityholder should include in gross income such Securityholder's allocable share of interest on the Series A Subordinated Debentures in accordance with such Securityholder's method of tax accounting.

Under the Regulations, if the Corporation exercised its option to defer any payment of interest, the Series A Subordinated Debentures would at that time be treated as issued with OID, and all stated interest on the Series A Subordinated Debentures would thereafter be treated as OID as long as the Series A Subordinated Debentures remained outstanding. In such event, all of a Securityholder's taxable interest income with respect to the Series A Subordinated Debentures would be accounted for as OID on an economic accrual basis regardless of such Securityholder's method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, a Securityholder would be required to include in gross income OID even though the Corporation would not make any actual cash payments during an Extension Period.

The Regulations have not been addressed in any rulings or other interpretations by the Internal Revenue Service (the "IRS"), and it is possible that the IRS could take a position contrary to the interpretation herein.

Because income on the Series A Preferred Securities will constitute interest or OID, corporate Securityholders will not be entitled to a dividends-received deduction with respect to any income recognized with respect to the Series A Preferred Securities.

Subsequent uses of the term "interest" in this summary include income in the form of OID.

## DISTRIBUTION OF SERIES A SUBORDINATED DEBENTURES TO HOLDERS OF SERIES A PREFERRED SECURITIES

A distribution by the Series A Issuer of the Series A Subordinated Debentures, as described under the caption "Certain Terms of Series A Preferred Securities--Liquidation of Series A Issuer and Distribution of Series A Subordinated Debentures to Holders", will be non-taxable and will result in the Securityholder receiving directly its pro rata share of the Series A Subordinated Debentures previously held indirectly through the Series A Issuer, with a holding period and aggregate tax basis equal to the holding period and aggregate tax basis such Securityholder had in its Series A Preferred Securities before such distribution. If, however, the liquidation of the Series A Issuer were to occur because the Series A Issuer is subject to United States federal income tax with respect to income accrued or received on the Series A Subordinated Debentures, the distribution of Series A Subordinated Debentures to Securityholders by the Series A Issuer would be a taxable event to the Series A Issuer and each Securityholder, and the Securityholder would recognize gain or loss as if the Securityholder had exchanged its Series A Preferred Securities for the Series A Subordinated Debentures it received upon the liquidation of the Series A Issuer. A Securityholder will include interest income in respect of Series A Subordinated Debentures received from the Series A Issuer in the manner described above under "--Interest Income and Original Issue Discount".

Under certain circumstances described herein (see "Certain Terms of Series A Subordinated Debentures--Redemption" and "Certain Terms of Series A Preferred Securities--Redemption"), the

Series A Subordinated Debentures may be redeemed by the Corporation for cash and the proceeds of such redemption distributed by the Series A Issuer to holders in redemption of their Series A Preferred Securities. Under current law, such a redemption would, for United States federal income tax purposes, constitute a taxable disposition of the redeemed Series A Preferred Securities, and a holder could recognize gain or loss as if it sold such redeemed Series A Preferred Securities for cash. See "--Sale or Redemption of Series A Preferred Securities".

#### SALE OR REDEMPTION OF SERIES A PREFERRED SECURITIES

A Securityholder that sells (including a redemption for cash) Series A Preferred Securities will recognize gain or loss equal to the difference between its adjusted tax basis in the Series A Preferred Securities and the amount realized on the sale of such Series A Preferred Securities. The amount realized is equal to the cash received, less the amount of accrued and unpaid interest with respect to the Securityholder's pro rata share of the Series A Subordinated Debentures. A Securityholder must include his share of such accrued and unpaid interest as ordinary income. Assuming that the Corporation does not exercise its option to defer payment of interest on the Series A Subordinated Debentures and the Series A Preferred Securities are not considered issued with OID, a Securityholder's adjusted tax basis in the Series A Preferred Securities generally will be its initial purchase price. If the Series A Subordinated Debentures are deemed to be issued with OID as a result of the Corporation's deferral of any interest payment or otherwise, a Securityholder's tax basis in the Series A Preferred Securities generally will be its initial purchase price, increased by OID previously includible in such Securityholder's gross income to the date of disposition and decreased by distributions or other payments received on the Series A Preferred Securities since and including the date of the first Extension Period. Such gain or loss generally will be a capital gain or loss and generally will be a long-term capital gain or loss if the Series A Preferred Securities have been held for more than one year.

Should the Corporation exercise its option to defer any payment of interest on the Series A Subordinated Debentures, the Series A Preferred Securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest with respect to the underlying Series A Subordinated Debentures. In the event of such a deferral, a Securityholder who disposes of its Series A Preferred Securities between record dates for payments of distributions thereon will be required to include in income as ordinary income accrued but unpaid interest on the Series A Subordinated Debentures to the date of disposition as OID and to add such amount to its adjusted tax basis in its pro rata share of the underlying Series A Subordinated Debentures deemed disposed of. To the extent the selling price is less than the Securityholder's adjusted tax basis, such Securityholder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

#### BACKUP WITHHOLDING TAX AND INFORMATION REPORTING

The amount of interest income paid or accrued on the Series A Preferred Securities held of record by United States Persons (other than corporations and other exempt Securityholders) will be reported to the IRS. "Backup" withholding at a rate of 31% will apply to payments of interest to non-exempt United States Persons unless the Securityholder furnishes its taxpayer identification number in the manner prescribed in applicable Treasury Regulations, certifies that such number is correct, certifies as to no loss of exemption from backup withholding and meets certain other conditions.

Payment of the proceeds from the disposition of Series A Preferred Securities to or through the United States office of a broker is subject to information reporting and backup withholding unless the Securityholder or beneficial owner establishes an exemption from information reporting and backup withholding.

Any amounts withheld from a Securityholder under the backup withholding rules will be allowed as a refund or a credit against such Securityholder's United States federal income tax liability; provided the required information is furnished to the IRS.

It is anticipated that income on the Series A Preferred Securities will be reported to holders on Form 1099 and mailed to holders of the Series A Preferred Securities by January 31 following each calendar year.

#### POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's 1996 budget proposal, was introduced to the 104th Congress. The Bill would have, among other things, generally denied interest deductions for interest accrued on an instrument issued by a corporation that had a maximum term of more than 20 years and that was not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument was issued to a related party (other than a corporation), where the holder or some other related party issued a related instrument that was not shown as indebtedness on the issuer's consolidated balance sheet. The Bill would have also generally denied interest deductions for interest on an instrument issued by a corporation that had a maximum weighted-average maturity of more than 40 years. The above-described provisions of the Bill were proposed to be effective generally for instruments issued on or after December 7, 1995. If this provision were to apply to the Series A Subordinated Debentures, the Corporation would not be able to deduct interest on the Series A Subordinated Debentures. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, would be no earlier than the date of appropriate Congressional action. Under current law, the Corporation will be able to deduct interest on the Series A Subordinated Debentures. Although the 104th Congress adjourned without enacting the above-described provisions of the Bill, there can be no assurance that current or future legislative proposals or final legislation will not adversely affect the ability of the Corporation to deduct interest on the Series A Subordinated Debentures. Such a change could give rise to a Tax Event, which would permit the Corporation to cause a redemption of the Series A Preferred Securities. See "Certain Terms of Series A Subordinated Debentures--Redemption" and "Certain Terms of the Series A Subordinated Debentures--Conditional Right to Advance Maturity" in this Prospectus Supplement and "Description of Securities--Redemption or Distribution--Distribution of Corresponding Junior Subordinated Debentures" in the accompanying Prospectus.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Corporation and the Series A Issuer have agreed that the Series A Issuer will sell to each of the Underwriters named below, and each of such Underwriters has severally agreed to purchase from the Series A Issuer, the respective number of Series A Preferred Securities set forth opposite its name below:

UNDERWRITER -----	NUMBER OF SERIES A PREFERRED SECURITIES -----
Goldman, Sachs & Co.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Dean Witter Reynolds Inc.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
A.G. Edwards & Sons, Inc.....	
PaineWebber Incorporated.....	
Prudential Securities Incorporated.....	
Smith Barney Inc.....	
 Total.....	 ----- 8,000,000 =====

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all the Series A Preferred Securities offered hereby, if any are taken.

The Underwriters propose to offer the Series A Preferred Securities in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement and in part to certain dealers at such price less a concession of \$            per Series A Preferred Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$            per Series A Preferred Security to certain brokers and dealers. After the Series A Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

In view of the fact that the proceeds from the sale of the Series A Preferred Securities will be used to purchase the Series A Subordinated Debentures issued by the Corporation, the Underwriting Agreement provides that the Corporation will pay as Underwriters' compensation for the Underwriters' arranging the investment therein of such proceeds an amount of \$            per Series A Preferred Security for the accounts of the several Underwriters.

The Corporation and the Series A Issuer have agreed that, during the period beginning on the date of the Underwriting Agreement and continuing to and including the date of delivery of the Series A Preferred Securities to the Underwriters in accordance with the Underwriting Agreement, they will not offer, sell, contract to sell or otherwise dispose of any Series A Preferred Securities, any security convertible into or exchangeable into or exercisable for Series A Preferred Securities or Series A Subordinated Debentures or any debt securities substantially similar to the Series A Subordinated Debentures or any equity securities substantially similar to the Series A Preferred Securities (except for the Series A Subordinated Debentures and Series A Preferred Securities issued pursuant to the Underwriting Agreement), without the prior written consent of the Underwriters.

Prior to this offering, there has been no public market for the Series A Preferred Securities. The Corporation intends to make application to list the Series A Preferred Securities on the NYSE. If approved, trading of the Series A Preferred Securities on the NYSE is expected to commence within the 30-day period after the initial delivery of the Series A Preferred Securities. In order to meet one of the requirements for listing the Series A Preferred Securities on the NYSE, the Underwriters will

undertake to sell lots of 100 or more Series A Preferred Securities to a minimum of 400 beneficial holders. The Underwriters have advised the Corporation that they intend to make a market in the Series A Preferred Securities, but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series A Preferred Securities.

The Corporation and the Series A Issuer have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Certain of the Underwriters or their affiliates have provided from time to time, and expect to provide in the future, investment or commercial banking services to the Corporation and its affiliates, for which such Underwriters or their affiliates have received or will receive customary fees and commissions.

#### VALIDITY OF SECURITIES

Certain matters of Delaware law relating to the validity of the Series A Preferred Securities, the enforceability of the Trust Agreement and the formation of the Series A Issuer will be passed upon by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Corporation and the Series A Issuer. The validity of the Series A Guarantee and the Series A Subordinated Debentures will be passed upon for the Corporation by Baker & Botts, L.L.P., Houston, Texas. Certain legal matters will be passed upon for the Corporation by Hugh Rice Kelly, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Corporation, and for the Underwriters by Dewey Ballantine, New York, New York. Certain matters relating to United States federal income tax considerations described in this Prospectus Supplement will be passed upon for the Corporation by Baker & Botts, L.L.P.

\$350,000,000

HOUSTON LIGHTING & POWER COMPANY

JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

HL&P CAPITAL TRUST I  
HL&P CAPITAL TRUST II  
HL&P CAPITAL TRUST III  
HL&P CAPITAL TRUST IV

TRUST PREFERRED SECURITIES AND CAPITAL SECURITIES, FULLY AND UNCONDITIONALLY  
GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

Houston Lighting & Power Company, a Texas corporation ("HL&P" or the "Corporation"), may from time to time offer in one or more series or issuances its junior subordinated deferrable interest debentures (the "Junior Subordinated Debentures"). The Junior Subordinated Debentures will be unsecured and subordinate and junior in right of payment to all Senior Debt (as defined in "Description of Junior Subordinated Debentures--Subordination") of the Corporation. If provided in an accompanying Prospectus Supplement, the Corporation will have the right to defer payments of interest on any series of Junior Subordinated Debentures by extending the interest payment period thereon at any time or from time to time for up to such number of consecutive interest payment periods (which shall not extend beyond the Stated Maturity (as defined herein) of the Junior Subordinated Debentures) with respect to each deferral period as may be specified in such Prospectus Supplement (each, an "Extension Period"). In such circumstances, however, the Corporation would not be permitted, subject to certain exceptions set forth herein, to declare or pay any dividends, distributions or other payments with respect to, or repay, repurchase, redeem or otherwise acquire, the Corporation's capital stock or debt securities that rank pari passu in all respects with or junior to such series of Junior Subordinated Debentures. See "Description of Junior Subordinated Debentures--Option to Defer Interest Payments" and "--Restrictions on Certain Payments".

HL&P Capital Trust I, HL&P Capital Trust II, HL&P Capital Trust III and HL&P Capital Trust IV, each a statutory business trust created under the laws of the State of Delaware (each, an "Issuer", and collectively, the "Issuers"), may severally offer, from time to time, preferred securities (collectively, the "Preferred Securities") or capital securities (collectively, the "Capital Securities" and, together with the Preferred Securities, the "Securities") representing undivided beneficial interests in the assets of such Issuer. The Corporation will be the owner of common securities (the "Common Securities" and, together with the Securities, the "Trust Securities") representing common undivided beneficial interests in the assets of such Issuer. Holders of the Securities will be entitled to receive preferential cumulative cash distributions ("Distributions") accumulating from the date of original issuance and payable periodically as specified in an accompanying Prospectus Supplement. Concurrently with the issuance by an Issuer of its Securities, such Issuer will invest the proceeds thereof and of contributions received in respect of the Common Securities in a corresponding series of the Corporation's Junior Subordinated Debentures (the "Corresponding Junior Subordinated Debentures") with terms corresponding to the terms of that Issuer's Securities (the "Related Securities").

Accordingly, if as provided in an accompanying Prospectus Supplement, the Corporation has the right to defer the payment of interest on a series of Corresponding Junior Subordinated Debentures, then, if interest payments are so deferred, Distributions on the Related Securities would also be deferred, but would continue to accumulate at the rate per annum set forth in the related Prospectus Supplement. See "Description of Securities--Distributions".  
(continued on next page)

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

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The date of this Prospectus is January 27, 1997.

(cover page continued)

Taken together, the Corporation's obligations under each series of Corresponding Junior Subordinated Debentures, the Indenture, the related Trust Agreement, the related Expense Agreement and the related Guarantee (each as defined herein), in the aggregate, provide a full, irrevocable and unconditional guarantee of payments of Distributions and other amounts due on the Related Securities. See "Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees--Full and Unconditional Guarantee". The payment of Distributions with respect to the Securities of each Issuer and payments on liquidation of such Issuer or redemption of such Securities, in each case to the extent of funds held by such Issuer, are each irrevocably guaranteed by the Corporation as described herein (each, a "Guarantee"). See "Description of Guarantees". The obligations of the Corporation under each Guarantee will be unsecured and subordinated and junior in right of payment to all Senior Debt of the Corporation.

The Corresponding Junior Subordinated Debentures and the right to reimbursement of expenses under the related Expense Agreement will be substantially all of the assets of each Issuer, and payments under the Corresponding Junior Subordinated Debentures and the related Expense Agreement will be the only revenues of each Issuer. If so provided in an accompanying Prospectus Supplement, the Corporation may redeem the Corresponding Junior Subordinated Debentures (and thereby cause the redemption of the Trust Securities) or may direct each Property Trustee (as defined herein) to dissolve each Issuer and, after satisfaction of liabilities to the creditors of such Issuer as required by applicable law, cause the Corresponding Junior Subordinated Debentures to be distributed to the holders of Securities upon liquidation of their interests in such Issuer. See "Description of Securities--Liquidation Distribution Upon Termination".

The Junior Subordinated Debentures and Securities may be offered in amounts, at prices and on terms to be determined at the time of offering; provided, however, the aggregate initial public offering price of all Junior Subordinated Debentures and Securities issued pursuant to the Registration Statement of which this Prospectus forms a part shall not exceed \$350,000,000. Certain specific terms of the Junior Subordinated Debentures or Securities in respect of which this Prospectus is being delivered will be described in an accompanying Prospectus Supplement, including without limitation and where applicable and to the extent not set forth herein, (a) in the case of Junior Subordinated Debentures, the specific designation, aggregate principal amount, denominations, Stated Maturity (including any provisions for the advancement or extension thereof), interest payment dates, interest rate or method of calculating interest, if any, applicable Extension Period or interest deferral terms, if any, place or places where principal, premium, if any, and interest, if any, will be payable, any terms of redemption, any sinking fund provisions, terms for any conversion or exchange into other securities, initial offering or purchase price, methods of distribution and any other special terms and (b) in the case of Securities, the identity of the Issuer, specific title, aggregate stated liquidation amount, number of securities, Distribution rate or method of calculating such rate, Distribution payment dates, applicable Distribution deferral terms, if any, place or places where Distributions will be payable, any terms of redemption, exchange, initial offering or purchase price, methods of distribution and any other special terms.

The Prospectus Supplement also will contain information, as applicable, about certain United States federal income tax consequences relating to the Junior Subordinated Debentures or Securities.

The Junior Subordinated Debentures and Securities may be sold to or through underwriters, through dealers, remarketing firms or agents or directly to purchasers. See "Plan of Distribution". The names of any underwriters, dealers, remarketing firms or agents involved in the sale of Junior Subordinated Debentures or Securities in respect of which this Prospectus is being delivered and any applicable fee, commission or discount arrangements with them will be set forth in a Prospectus Supplement. The Prospectus Supplement will state whether the Junior Subordinated Debentures or Securities will be listed on any national securities exchange or automated quotation system. If the Junior Subordinated Debentures or Securities are not listed on any national securities exchange or automated quotation system, there can be no assurance that there will be a secondary market for the Junior Subordinated Debentures or Securities.

This Prospectus may not be used to consummate sales of Junior Subordinated Debentures or Securities unless accompanied by a Prospectus Supplement.

## AVAILABLE INFORMATION

The Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, 13th Floor, Suite 1300, New York, New York 10048 and Suite 1400, Citicorp Center, 14th Floor, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Such material may also be accessed electronically by means of the Commission's home page on the Internet at <http://www.sec.gov>.

The Corporation and the Issuers have filed with the Commission a Registration Statement on Form S-3 (together with all amendments and exhibits thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. For further information with respect to the Corporation and the securities offered hereby, reference is made to the Registration Statement and the exhibits and the financial statements, notes and schedules filed as a part thereof or incorporated by reference therein, which may be inspected at the public reference facilities of the Commission at the addresses set forth above or through the Commission's home page on the Internet. Statements made in this Prospectus concerning the contents of any documents referred to herein are not necessarily complete, and in each instance are qualified in all respects by reference to the copy of such document filed as an exhibit to the Registration Statement.

No separate financial statements of any Issuer have been included herein. The Corporation and the Issuers do not consider that such financial statements would be material to holders of the Securities because each Issuer is a newly formed special purpose entity, has no operating history or independent operations and is not engaged in and does not propose to engage in any activity other than holding as trust assets the Corresponding Junior Subordinated Debentures and issuing the Trust Securities. Furthermore, taken together, the Corporation's obligations under each series of Corresponding Junior Subordinated Debentures, the Indenture, the related Trust Agreement, the related Expense Agreement and the related Guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of Distributions and other amounts due on the Related Securities of an Issuer. See "The Issuers", "Description of Securities", "Description of Junior Subordinated Debentures--Corresponding Junior Subordinated Debentures" and "Description of Guarantees". In addition, the Corporation does not expect that any of the Issuers will be filing reports under the Exchange Act with the Commission.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Corporation with the Commission are incorporated into this Prospectus by reference:

- (1) The Corporation's Annual Report on Form 10-K for its fiscal year ended December 31, 1995;
- (2) The Corporation's Quarterly Reports on Form 10-Q for its quarterly periods ended March 31, 1996, June 30, 1996 and September 30, 1996; and
- (3) The Corporation's Current Report on Form 8-K filed on August 12, 1996.

Each document or report filed by the Corporation pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the termination of any offering of securities made by this Prospectus shall be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the date of filing of such document. Any statement contained herein, or in

any document all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus 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 herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Corporation will provide without charge to any person to whom this Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the foregoing documents incorporated by reference herein (other than exhibits not specifically incorporated by reference into the texts of such documents). Requests for such documents should be directed to: Corporate Secretary, Houston Lighting & Power Company, 1111 Louisiana, Houston, Texas 77002, telephone number (713) 207-1111.

#### HOUSTON LIGHTING & POWER COMPANY

The Corporation is engaged in the generation, transmission, distribution and sale of electric energy and serves approximately 1.5 million residential, commercial and industrial customers in a 5,000 square-mile area of the Texas Gulf Coast, including Houston. The address of the Corporation's principal executive offices is 1111 Louisiana, Houston, Texas 77002. Its telephone number is (713) 207-1111.

The Corporation is a subsidiary of Houston Industries Incorporated ("Houston Industries"), which, directly or indirectly, owns all of the Corporation's outstanding common stock. Houston Industries is a holding company as defined in the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"); however, based upon the intrastate operations of the Corporation and the exemptions applicable to certain other subsidiaries of Houston Industries, Houston Industries is exempt from regulation as a "registered" holding company under the 1935 Act except with respect to the acquisition of voting securities of other domestic public utility companies and holding companies.

#### RECENT DEVELOPMENTS; NORAM MERGER

The Corporation is a party to an Agreement and Plan of Merger, dated as of August 11, 1996, as amended (the "Merger Agreement"), among the Corporation, Houston Industries, a subsidiary of Houston Industries ("Merger Sub") and NorAm Energy Corp. ("NorAm"). The Merger Agreement provides for (i) the merger of Houston Industries into the Corporation (the "HI/HL&P Merger"), as a result of which each outstanding share of common stock of Houston Industries will be converted into one share of common stock of the Corporation, which will be renamed "Houston Industries Incorporated" ("Houston") and will continue to conduct the Corporation's electric utility business under the Corporation's name, and (ii) the merger of NorAm into Merger Sub (the "NorAm Merger", and together with the HI/HL&P Merger, the "Basic Mergers"), as a result of which NorAm will become a wholly owned subsidiary of Houston and the outstanding shares of common stock of NorAm will be converted into the right to receive cash or Houston common stock. The Merger Agreement also provides that other alternative merger structures could be used rather than the Basic Mergers in certain circumstances. In one such alternative, Houston Industries and NorAm would both be merged into the Corporation, with the Corporation surviving (the "Alternative Merger"). The term "Transaction" refers to the business combination pursuant to the Merger Agreement whether implemented using the Basic Mergers or any other alternative merger structure. Consummation of the Transaction is subject to certain customary conditions, including receipt of certain regulatory approvals. The shareholders of each of Houston Industries and NorAm approved the Transaction on December 17, 1996.

#### THE ISSUERS

Each Issuer is a statutory business trust created under Delaware law pursuant to (i) a trust agreement executed by the Corporation, as depositor of the Issuer, and the Delaware Trustee (as defined herein) of such Issuer and (ii) the filing of a certificate of trust with the Delaware Secretary of State. Each trust agreement will be amended and restated in its entirety (each, as so amended and

restated, a "Trust Agreement") substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part. Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Each Issuer exists for the exclusive purposes of (i) issuing and selling its Trust Securities, (ii) using the proceeds from the sale of such Trust Securities to acquire a series of Corresponding Junior Subordinated Debentures issued by the Corporation and (iii) engaging in only those activities necessary, convenient or incidental thereto set forth in the related Trust Agreement (such as registering the transfer of the Trust Securities). Accordingly, the Corresponding Junior Subordinated Debentures and the right to reimbursement of expenses under the related Expense Agreement will be substantially all of the assets of each Issuer, and payments under the Corresponding Junior Subordinated Debentures and the related Expense Agreement will be the only revenues of each Issuer.

All of the Common Securities of each Issuer will be owned by the Corporation. The Common Securities of an Issuer will rank pari passu, and payments will be made thereon pro rata, with the Securities of such Issuer, except that upon the occurrence and continuance of an event of default under a Trust Agreement resulting from an event of default under the Indenture, the rights of the Corporation as holder of the Common Securities to payment in respect of Distributions and payments upon liquidation or redemption will be subordinated to the rights of the holders of the Securities of such Issuer. See "Description of Securities--Subordination of Common Securities". The Corporation will acquire Common Securities in an aggregate Liquidation Amount equal to not less than 3% of the total capital of each Issuer.

Unless otherwise specified in the applicable Prospectus Supplement, each Issuer has a term of approximately 55 years, but may be dissolved earlier as provided in the applicable Trust Agreement. Each Issuer's business and affairs are conducted by its trustees, each appointed by the Corporation as holder of the Common Securities. The trustees for each Issuer are The Bank of New York, as the Property Trustee (the "Property Trustee"), The Bank of New York (Delaware), as the Delaware Trustee (the "Delaware Trustee"), and two individual trustees (the "Administrative Trustees") who will be selected by the Corporation (collectively, the "Issuer Trustees"). The Bank of New York, as Property Trustee, will act as sole trustee under each Trust Agreement for purposes of compliance with the Trust Indenture Act. The Bank of New York will also act as trustee under the Guarantees and the Indenture. See "Description of Guarantees" and "Description of Junior Subordinated Debentures". The holder of the Common Securities of an Issuer, or, if an event of default under the Indenture has occurred and is continuing, the holders of a majority in Liquidation Amount of the Related Securities will be entitled to appoint, remove or replace the Property Trustee and/or the Delaware Trustee for such Issuer. In no event will the holders of the Securities have the right to vote to appoint, remove or replace the Administrative Trustees; such voting rights are vested exclusively in the holder of the Common Securities. The duties and obligations of each Issuer Trustee are governed by the applicable Trust Agreement. The Corporation will pay all fees and expenses related to each Issuer and the offering of the Securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of each Issuer.

The principal executive office of each Issuer is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899 and the telephone number of each Issuer is (302) 655-8894.

#### USE OF PROCEEDS

Except as otherwise set forth in the applicable Prospectus Supplement, the Corporation intends to use the proceeds from the sale of its Junior Subordinated Debentures (including Corresponding Junior Subordinated Debentures issued to the Issuers in connection with the investment by the Issuers of all of the proceeds from the sale of Trust Securities) for general corporate purposes, including redemption or repurchase of shares of its outstanding preferred stock, the satisfaction of other obligations or for such other purposes as may be specified in the applicable Prospectus Supplement.

## DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

The Junior Subordinated Debentures are to be issued in one or more series under a Junior Subordinated Indenture, as supplemented from time to time (as so supplemented, the "Indenture"), between the Corporation and The Bank of New York, as trustee (the "Debenture Trustee"). This summary of certain terms and provisions of the Junior Subordinated Debentures, Corresponding Junior Subordinated Debentures and the Indenture, which summarizes the material provisions thereof, does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Indenture, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and to the Trust Indenture Act, to each of which description reference is hereby made. The Indenture is qualified under the Trust Indenture Act. Whenever particular defined terms of the Indenture (as supplemented or amended from time to time) are referred to herein or in a Prospectus Supplement, such defined terms are incorporated herein or therein by reference.

### GENERAL

Each series of Junior Subordinated Debentures will rank pari passu with all other series of Junior Subordinated Debentures unless otherwise provided in the applicable Prospectus Supplement and will be unsecured and subordinate and junior in right of payment to the extent and in the manner set forth in the Indenture to all Senior Debt (as defined below) of the Corporation. See "-- Subordination". Except as otherwise provided in the applicable Prospectus Supplement, the Indenture does not limit the incurrence or issuance of other secured or unsecured debt of the Corporation, including Senior Debt, whether under the Indenture, any other existing indenture or any other indenture that the Corporation may enter into in the future or otherwise. See "-- Subordination" and the applicable Prospectus Supplement relating to any offering of Securities or Junior Subordinated Debentures.

The Junior Subordinated Debentures will be issuable in one or more series pursuant to an indenture supplemental to the Indenture or a resolution of the Corporation's Board of Directors or a committee thereof.

The applicable Prospectus Supplement will describe the following terms of the Junior Subordinated Debentures: (1) the title of the Junior Subordinated Debentures; (2) any limit upon the aggregate principal amount of the Junior Subordinated Debentures; (3) the date or dates on which the principal of the Junior Subordinated Debentures is payable (the "Stated Maturity") or the method of determination thereof and the right of the Corporation, if any, to advance or extend the Stated Maturity; (4) the rate or rates, if any, at which the Junior Subordinated Debentures shall bear interest, the dates on which any such interest shall be payable (the "Interest Payment Dates"), the rate or rates and extent to which interest, if any, shall accrue on any interest the payment of which is not made on the applicable Interest Payment Date, the right, if any, of the Corporation to defer or extend an Interest Payment Date and the record dates for any interest payable on any Interest Payment Date (the "Regular Record Dates") or the method by which any of the foregoing shall be determined; (5) the place or places where, subject to the terms of the Indenture as described below under "--Payment and Paying Agents", the principal of and premium, if any, and interest on the Junior Subordinated Debentures will be payable, the place or places where, subject to the terms of the Indenture as described below under "--Denominations, Registration and Transfer", the Junior Subordinated Debentures may be presented for registration of transfer or exchange and the place or places where notices and demands to or upon the Corporation in respect of the Junior Subordinated Debentures and the Indenture may be made ("Place of Payment"); (6) any period or periods within, or date or dates on which, the price or prices at which and the terms and conditions upon which the Junior Subordinated Debentures may be redeemed, in whole or in part, at the option of the Corporation; (7) the obligation or the right, if any, of the Corporation to redeem, repay or purchase the Junior

Subordinated Debentures pursuant to any sinking fund, amortization or analogous provisions, or at the option of the holder thereof, and the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which and the other terms and conditions upon which the Junior Subordinated Debentures shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation; (8) the denominations in which any Junior Subordinated Debentures shall be issuable, if other than \$25 and any integral multiple thereof; (9) if other than U.S. Dollars, the currency or currencies (including currency unit or units) in which the principal of (and premium, if any) and interest, if any, on the Junior Subordinated Debentures shall be payable, or in which the Junior Subordinated Debentures shall be denominated; (10) any additions, modifications or deletions in the events of default under the Indenture or covenants of the Corporation set forth therein with respect to the Junior Subordinated Debentures; (11) if other than the principal amount thereof, the portion of the principal amount of Junior Subordinated Debentures that shall be payable upon declaration of acceleration of the maturity thereof; (12) any additions or changes to the Indenture with respect to a series of Junior Subordinated Debentures as shall be necessary to permit or facilitate the issuance of such series in bearer form, registrable or not registrable as to principal, and with or without interest coupons; (13) any index or indices used to determine the amount of payments of principal of and premium, if any, on the Junior Subordinated Debentures or the manner in which such amounts will be determined; (14) whether the Junior Subordinated Debentures, or any portion thereof, shall initially be issuable in the form of a temporary Global Security representing all or such portion of the Junior Subordinated Debentures of such series and provisions for the exchange of such temporary Global Security for definitive Junior Subordinated Debentures of such series; (15) subject to the terms described herein under "--Global Junior Subordinated Debentures", whether the Junior Subordinated Debentures of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the respective depositaries for such Global Securities; (16) the appointment of any paying agent or agents; (17) the terms of any right to convert or exchange the Junior Subordinated Debentures into any other securities or property of the Corporation and any additions or changes to the Indenture with respect to the series of Junior Subordinated Debentures to permit or facilitate such conversion or exchange; (18) the relative degree, if any, to which such Junior Subordinated Debentures of the series shall be senior to or be subordinated to other series of Junior Subordinated Debentures in right of payment, whether such other Junior Subordinated Debentures are outstanding or not; and (20) any other terms of the Junior Subordinated Debentures not inconsistent with the provisions of the Indenture.

Junior Subordinated Debentures may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. Certain United States federal income tax consequences and special considerations applicable to any such Junior Subordinated Debentures will be described in the applicable Prospectus Supplement.

If the purchase price of any of the Junior Subordinated Debentures is payable in one or more foreign currencies or currency units or if any Junior Subordinated Debentures are denominated in one or more foreign currencies or currency units or if the principal of, premium, if any, or interest on any Junior Subordinated Debentures is payable in one or more foreign currencies or currency units, the restrictions, elections, certain United States federal income tax consequences, specific terms and other information with respect to such series of Junior Subordinated Debentures and such foreign currency or currency units will be set forth in the applicable Prospectus Supplement.

If any index is used to determine the amount of payments of principal of, premium, if any, or interest on any series of Junior Subordinated Debentures, special United States federal income tax, accounting and other considerations applicable thereto will be described in the applicable Prospectus Supplement.

## DENOMINATIONS, REGISTRATION AND TRANSFER

The Junior Subordinated Debentures will be issuable in registered form without coupons in denominations specified in the applicable Prospectus Supplement. Junior Subordinated Debentures of any series will be exchangeable for other Junior Subordinated Debentures of the same series of any authorized denominations, of a like aggregate principal amount, of the same original issue date and Stated Maturity and having the same terms.

Junior Subordinated Debentures may be presented for exchange as provided above, and may be presented for registration of transfer (with the form of transfer endorsed thereon, or a satisfactory written instrument of transfer, duly executed), at the office of the appropriate securities registrar or at the office of any transfer agent designated by the Corporation for such purpose with respect to any series of Junior Subordinated Debentures and referred to in the applicable Prospectus Supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. The Corporation will appoint the Debenture Trustee as securities registrar under the Indenture. If the applicable Prospectus Supplement refers to any transfer agents (in addition to the securities registrar) initially designated by the Corporation with respect to any series of Junior Subordinated Debentures, the Corporation may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, provided that the Corporation maintains a transfer agent in each Place of Payment for such series. The Corporation may at any time designate additional transfer agents with respect to any series of Junior Subordinated Debentures.

In the event of any redemption, neither the Corporation nor the Debenture Trustee shall be required to (i) issue, transfer or exchange Junior Subordinated Debentures of any series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Junior Subordinated Debentures of that series and ending at the close of business on the day of such mailing of notice of redemption or (ii) transfer or exchange any Junior Subordinated Debentures so selected for redemption, except, in the case of any Junior Subordinated Debentures to be redeemed in part, any portion thereof not to be redeemed.

## GLOBAL JUNIOR SUBORDINATED DEBENTURES

The Junior Subordinated Debentures of a series may be issued in whole or in part in the form of one or more Global Junior Subordinated Debentures that will be deposited with, or on behalf of, a depository (the "Depository") identified in the Prospectus Supplement relating to such series. Global Junior Subordinated Debentures may be issued only in fully registered form and in either temporary or permanent form. Global Junior Subordinated Debentures may not be exchanged in whole or in part for the individual Junior Subordinated Debentures represented thereby, and no transfer of a Global Junior Subordinated Debenture in whole or in part may be registered in the name of any person other than the Depository or a nominee thereof unless (A) the Depository (i) has notified the Corporation that it is unwilling or unable to continue as depository for such Global Junior Subordinated Debenture or (ii) has ceased to be a clearing agency registered under the Exchange Act at a time when the Depository is required to be so registered to act as depository, in each case unless the Corporation has approved a successor depository within 90 days, (B) there shall have occurred and be continuing an event of default under the Indenture with respect to such Global Junior Subordinated Debenture, (C) the Corporation in its sole discretion determines that such Global Junior Subordinated Debenture will be so exchangeable or transferable or (D) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing as have been specified for this purpose as contemplated in the Indenture. Subject to the foregoing, any exchange of a Global Junior Subordinated Debenture for other Junior Subordinated Debentures may be made in whole or in part, and all Junior Subordinated Debentures issued in exchange for a Global Junior Subordinated Debenture or any portion thereof shall be registered in such names as the Depository for such Global Junior Subordinated Debenture shall direct.

The specific terms of the depositary arrangement with respect to a series of Junior Subordinated Debentures will be described in the Prospectus Supplement relating to such series. The Corporation anticipates that the following provisions will generally apply to depositary arrangements.

Upon the issuance of a Global Junior Subordinated Debenture and the deposit of such Global Junior Subordinated Debenture with or on behalf of the Depositary, the Depositary for such Global Junior Subordinated Debenture or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual Junior Subordinated Debentures represented by such Global Junior Subordinated Debenture to the accounts of persons that have accounts with such Depositary ("Participants"). Such accounts shall be designated by the dealers, underwriters or agents with respect to such Junior Subordinated Debentures or by the Corporation if such Junior Subordinated Debentures are offered and sold directly by the Corporation. Ownership of beneficial interests in a Global Junior Subordinated Debenture will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests in such Global Junior Subordinated Debenture will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable Depositary or its nominee (with respect to interests of Participants) and the records of Participants (with respect to interests of persons who hold through Participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the transfer of beneficial interests in a Global Junior Subordinated Debenture.

So long as the Depositary for a Global Junior Subordinated Debenture or its nominee is the registered owner of such Global Junior Subordinated Debenture, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Junior Subordinated Debentures represented by such Global Junior Subordinated Debenture for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Junior Subordinated Debenture will not be entitled to have any of the individual Junior Subordinated Debentures of the series represented by such Global Junior Subordinated Debenture registered in their names, will not receive or be entitled to receive physical delivery of any such Junior Subordinated Debentures of such series in definitive form and will not be considered the owners or holders thereof under the Indenture.

Payments of principal of (and premium, if any) and interest on individual Junior Subordinated Debentures represented by a Global Junior Subordinated Debenture registered in the name of a Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner of the Global Junior Subordinated Debenture representing such Junior Subordinated Debentures. None of the Corporation, the Debenture Trustee, any Paying Agent, or the Securities Registrar for such Junior Subordinated Debentures will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Global Junior Subordinated Debenture representing such Junior Subordinated Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Corporation expects that the Depositary for a series of Junior Subordinated Debentures or its nominee, upon receipt of any payment of principal, premium, if any, or interest in respect of a permanent Global Junior Subordinated Debenture representing any of such Junior Subordinated Debentures, immediately will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Junior Subordinated Debenture for such Junior Subordinated Debentures as shown on the records of such Depositary or its nominee. The Corporation also expects that payments by Participants to owners of beneficial interests in such Global Junior Subordinated Debenture held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for

the accounts of customers in bearer form or registered in "street name". Such payments will be the responsibility of such Participants.

Unless otherwise specified in the applicable Prospectus Supplement, if a Depository for a series of Junior Subordinated Debentures is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Corporation within 90 days, the Corporation will issue individual Junior Subordinated Debentures of such series in exchange for the Global Junior Subordinated Debenture representing such series of Junior Subordinated Debentures. In addition, the Corporation may at any time and in its sole discretion, subject to any limitations described in the Prospectus Supplement relating to such Junior Subordinated Debentures, determine not to have any Junior Subordinated Debentures of such series represented by one or more Global Junior Subordinated Debentures and, in such event, will issue certificated Junior Subordinated Debentures of such series in exchange for the Global Junior Subordinated Debenture. Further, if the Corporation so specifies with respect to the Junior Subordinated Debentures of a series, an owner of a beneficial interest in a Global Junior Subordinated Debenture representing Junior Subordinated Debentures of such series may, on terms acceptable to the Corporation, the Debenture Trustee and the Depository for such Global Junior Subordinated Debenture, receive certificated Junior Subordinated Debentures of such series in exchange for such beneficial interests, subject to any limitations described in the Prospectus Supplement relating to such Junior Subordinated Debentures. In any such instance, an owner of a beneficial interest in a Global Junior Subordinated Debenture will be entitled to physical delivery of certificated Junior Subordinated Debentures of the series represented by such Global Junior Subordinated Debenture equal in principal amount to such beneficial interest and to have such Junior Subordinated Debentures registered in its name. Individual Junior Subordinated Debentures of such series so issued will be issued in denominations, unless otherwise specified by the Corporation, of \$25 and integral multiples thereof if the Related Securities are Preferred Securities or \$1,000 and integral multiples thereof if the Related Securities are Capital Securities.

#### PAYMENT AND PAYING AGENTS

Unless otherwise indicated in the applicable Prospectus Supplement, payment of principal of (and premium, if any) and any interest on Junior Subordinated Debentures will be made at the office of the Debenture Trustee in the City of New York or at the office of such paying agent or paying agents as the Corporation may designate from time to time in the applicable Prospectus Supplement, except that at the option of the Corporation payment of any interest may be made, except in the case of Global Junior Subordinated Debentures, (i) by check mailed to the address of the person entitled thereto as such address shall appear in the securities register or (ii) by transfer to an account designated by the person entitled thereto as specified in the securities register. Unless otherwise indicated in the applicable Prospectus Supplement, payment of any interest on Junior Subordinated Debentures will be made to the person in whose name such Junior Subordinated Debenture is registered at the close of business on the Regular Record Date for such interest, except in the case of defaulted interest. The Corporation may at any time designate additional paying agents or rescind the designation of any paying agent; however, the Corporation will at all times be required to maintain a paying agent in each Place of Payment for each series of Junior Subordinated Debentures.

Any moneys deposited with the Debenture Trustee or any paying agent, or then held by the Corporation in trust, for the payment of the principal of (and premium, if any) or interest on any Junior Subordinated Debenture and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall, at the written request of the Corporation, be repaid to the Corporation and discharged from the trust of the Indenture, and the holder of such Junior Subordinated Debenture shall thereafter look, as a general unsecured creditor, only to the Corporation for payment thereof.

## OPTION TO DEFER INTEREST PAYMENTS

If provided in the applicable Prospectus Supplement, so long as no event of default has occurred under the Indenture, the Corporation will have the right at any time and from time to time during the term of any series of Junior Subordinated Debentures to defer payment of interest for up to such number of consecutive interest payment periods as may be specified in the applicable Prospectus Supplement (each, an "Extension Period"), subject to the terms, conditions and covenants, if any, specified in such Prospectus Supplement; provided that such Extension Period may not extend beyond the Stated Maturity of such series of Junior Subordinated Debentures. Certain United States federal income tax consequences and special considerations applicable to any such Junior Subordinated Debentures will be described in the applicable Prospectus Supplement.

## REDEMPTION

Unless otherwise indicated in the applicable Prospectus Supplement, Junior Subordinated Debentures will not be subject to any sinking fund.

Unless otherwise indicated in the applicable Prospectus Supplement, the Corporation may, at its option, redeem the Junior Subordinated Debentures of any series in whole at any time or in part from time to time. If the Junior Subordinated Debentures of any series are so redeemable only on or after a specified date or upon the satisfaction of additional conditions, the applicable Prospectus Supplement will specify such date or describe such conditions. Junior Subordinated Debentures in denominations larger than \$25 may be redeemed in part but only in integral multiples of \$25. Except as otherwise specified in the applicable Prospectus Supplement, the redemption price for any Junior Subordinated Debenture so redeemed shall equal any accrued and unpaid interest thereon to the redemption date, plus 100% of the principal amount thereof.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Junior Subordinated Debentures to be redeemed at its registered address. Unless the Corporation defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on such Junior Subordinated Debentures or portions thereof called for redemption.

## RESTRICTIONS ON CERTAIN PAYMENTS

The Corporation will also covenant, as to each series of Junior Subordinated Debentures, that it will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt security of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Junior Subordinated Debentures of such series or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Junior Subordinated Debentures of such series (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights pursuant to a stockholders' rights plan, (c) payments under any Guarantee with respect to the series of Related Securities and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period) if at such time (i) a Debenture Event of Default with respect to such series of Junior

Subordinated Debentures shall have occurred and be continuing, (ii) if such Junior Subordinated Debentures are held by an Issuer of a series of Related Securities, the Corporation shall be in default with respect to its payment of any obligations under the Guarantee relating to such Related Securities or (iii) the Corporation shall have given notice of its selection of an Extension Period as provided in the Indenture with respect to the Junior Subordinated Debentures of such series and shall not have rescinded such notice, or an Extension Period, or any extension thereof, shall be continuing.

#### MODIFICATION OF INDENTURE

From time to time the Corporation and the Debenture Trustee may, without the consent of the holders of any series of Junior Subordinated Debentures, enter into an indenture or indentures supplemental to the Indenture for specified purposes, including, among other things, (i) curing ambiguities, defects or inconsistencies; provided, that any such action does not materially adversely affect the interest of the holders of any series of Junior Subordinated Debentures or, in the case of Corresponding Junior Subordinated Debentures, the holders of the Related Securities so long as they remain outstanding, and (ii) qualifying, or maintaining the qualification of, the Indenture under the Trust Indenture Act. The Indenture contains provisions permitting the Corporation and the Debenture Trustee, with the consent of the holders of not less than a majority in principal amount of each outstanding series of Junior Subordinated Debentures affected, to enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Indenture or of modifying in any manner the rights of holders of the Junior Subordinated Debentures of any series; provided, that no such supplemental indenture may, without the consent of the holder of each outstanding Junior Subordinated Debenture so affected, (i) change the Stated Maturity of any series of Junior Subordinated Debentures (except as otherwise specified in the applicable Prospectus Supplement), reduce the principal amount thereof or reduce the rate or extend the time of payment of interest (except as otherwise specified in the applicable Prospectus Supplement) thereon or reduce any premium payable upon the redemption thereof or (ii) reduce the percentage of principal amount of Junior Subordinated Debentures of any series, the holders of which are required to consent to any such modification of the Indenture; provided further that, in the case of Corresponding Junior Subordinated Debentures, so long as any Related Securities remain outstanding, (a) no such modification may be made that adversely affects the holders of such Related Securities in any material respect, no termination of the Indenture may occur and no waiver of any event of default or compliance with any covenant under the Indenture may be effective without the prior consent of the holders of at least a majority of the aggregate Liquidation Amount of all outstanding Related Securities and (b) no modification may be made to certain provisions of the Indenture that would impair the rights of the holders of the Related Securities without the consent of each holder of Related Securities unless and until the principal of the Corresponding Junior Subordinated Debentures and all accrued and unpaid interest thereon have been paid in full and certain other conditions have been satisfied.

In addition, the Corporation and the Debenture Trustee may execute, without the consent of any holder of Junior Subordinated Debentures, any supplemental indenture for the purpose of creating any new series of Junior Subordinated Debentures.

#### DEBENTURE EVENTS OF DEFAULT

The Indenture provides that any one or more of the following described events with respect to a series of Junior Subordinated Debentures that has occurred and is continuing constitutes a "Debenture Event of Default" with respect to such series of Junior Subordinated Debentures:

- (i) failure for 30 days to pay interest on such series of Junior Subordinated Debentures, including any Additional Interest (as defined in the Indenture), when due (subject to the deferral of any interest payment in the case of an Extension Period);

(ii) failure to pay any principal or premium, if any, on any series of Junior Subordinated Debentures when due, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise;

(iii) failure to observe or perform in any material respect any covenant or warranty of the Corporation contained in the Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere specifically dealt with) for 90 days after written notice to the Corporation from the Debenture Trustee or to the Corporation and the Debenture Trustee by the holders of at least 25% in aggregate principal amount of such series of outstanding Junior Subordinated Debentures;

(iv) certain events in bankruptcy, insolvency or reorganization of the Corporation; or

(v) any other event provided with regard to a particular series of Junior Subordinated Debentures.

The holders of a majority in aggregate outstanding principal amount of Junior Subordinated Debentures of each series affected have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee. The Debenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of Junior Subordinated Debentures of each series affected may declare the principal and premium, if any, due and payable immediately upon a Debenture Event of Default (other than a Debenture Event of Default specified in clause (iv) above), and, in the case of Corresponding Junior Subordinated Debentures, should the Debenture Trustee or such holders of such Corresponding Junior Subordinated Debentures fail to make such declaration, the holders of at least 25% in aggregate Liquidation Amount of the Related Securities shall have such right. Provided certain conditions are satisfied, the holders of a majority in aggregate outstanding principal amount of Junior Subordinated Debentures of an affected series may annul such declaration. In the case of Corresponding Junior Subordinated Debentures, should the holders of such Corresponding Junior Subordinated Debentures fail to annul such declaration and waive such default, the holders of a majority in aggregate Liquidation Amount of the Related Securities affected shall have such right.

If a Debenture Event of Default specified in clause (iv) with respect to any series of Junior Subordinated Debentures occurs, the principal amount of all the Junior Subordinated Debentures of that series shall automatically, and without any declaration or other action on the part of the Debenture Trustee or any holder of the Junior Subordinated Debentures, become immediately due and payable.

The holders of not less than a majority in aggregate outstanding principal amount of any series of the Junior Subordinated Debentures affected thereby may, on behalf of the holders of all the Junior Subordinated Debentures of such series, waive any default, except a default in the payment of principal, premium, if any, or interest (including Additional Interest) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Junior Subordinated Debenture. In the case of Corresponding Junior Subordinated Debentures, should the holders of such Corresponding Junior Subordinated Debentures fail to waive such default, the holders of a majority in aggregate Liquidation Amount of the Related Securities affected shall have such right. The Corporation is required to file annually with the Debenture Trustee a certificate as to whether or not the Corporation is in compliance with all the conditions and covenants applicable to it under the Indenture.

#### ENFORCEMENT OF CERTAIN RIGHTS BY HOLDERS OF SECURITIES

If a Debenture Event of Default with respect to a series of Corresponding Junior Subordinated Debentures has occurred and is continuing and such event is attributable to the failure of the Corporation to pay interest or principal or premium, if any, on such Corresponding Junior Subordinated Debentures on the date such interest or principal or premium, if any, is due and payable, a holder of Related Securities may institute a legal proceeding directly against the Corporation for enforcement of

payment to such holder of the principal of or premium, if any, or interest on such Corresponding Junior Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Related Securities of such holder (a "Direct Action"). The Corporation may not amend the Indenture to remove the foregoing right to bring a Direct Action without the prior written consent of the holders of all of the Securities outstanding. If the right to bring a Direct Action is removed, the applicable Issuer may become subject to the reporting obligations under the Exchange Act. The Corporation shall have the right under the Indenture to set off any payment made to such holder of Securities by the Corporation in connection with a Direct Action.

The holders of the Securities will not be able to exercise directly any remedies other than those set forth in the preceding paragraph available to the holders of the Junior Subordinated Debentures unless there shall have been an event of default under the Trust Agreement. See "Description of Securities--Events of Default; Notice".

#### CONSOLIDATION, MERGER, SALE OF ASSETS AND OTHER TRANSACTIONS

The Indenture provides that the Corporation shall not consolidate with or merge into any other Person (as defined in the Indenture) or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Corporation or convey, transfer or lease its properties and assets substantially as an entirety to the Corporation, unless (i) in case the Corporation consolidates with or merges into another Person or conveys, transfers or leases its properties and assets substantially as an entirety to any Person, the successor Person is a corporation, partnership, or trust organized under the laws of the United States or any state or the District of Columbia and such successor Person expressly assumes the due and punctual payment of the principal of (and premium, if any) and interest (including any Additional Interest) on all the Junior Subordinated Debentures issued under the Indenture and the performance of every covenant of the Indenture on the part of the Corporation to be performed or observed; (ii) immediately after giving effect thereto, no Debenture Event of Default, and no event which, after notice or lapse of time or both, would become a Debenture Event of Default, shall have occurred and be continuing; (iii) in the case of Corresponding Junior Subordinated Debentures, such transaction is permitted under the related Trust Agreement and Guarantee and does not give rise to any breach or violation of the related Trust Agreement or Guarantee; and (iv) certain other conditions as prescribed by the Indenture are met.

The general provisions of the Indenture do not afford holders of the Junior Subordinated Debentures protection in the event of a highly leveraged or other transaction involving the Corporation that may adversely affect holders of the Junior Subordinated Debentures.

#### SATISFACTION AND DISCHARGE

The Indenture provides that when, among other things, all Junior Subordinated Debentures not previously delivered to the Debenture Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Debenture Trustee for the giving of notice of redemption by the Debenture Trustee in the name and at the expense of the Corporation, and the Corporation deposits or causes to be deposited with the Debenture Trustee funds, in trust, for the purpose and in an amount in the currency or currencies in which the Junior Subordinated Debentures are payable sufficient to pay and discharge the entire indebtedness on the Junior Subordinated Debentures not previously delivered to the Debenture Trustee for cancellation, for the principal (and premium, if any) and interest (including Additional Interest) to the date of the deposit or to the Stated Maturity or date fixed for redemption, as the case may be, then the Indenture will cease to be of further effect (except as to the Corporation's obligations to pay all other sums due pursuant to the Indenture and to provide the officers' certificates and opinions of counsel described therein), and the Corporation will be deemed to have satisfied and discharged the Indenture.

## CONVERSION OR EXCHANGE

If and to the extent indicated in the applicable Prospectus Supplement, the Junior Subordinated Debentures of any series may be convertible or exchangeable into Junior Subordinated Debentures of another series or into other securities of the Corporation or an Issuer. The specific terms on which Junior Subordinated Debentures of any series may be so converted or exchanged will be set forth in the applicable Prospectus Supplement. Such terms may include provisions for conversion or exchange, either mandatory, at the option of the holder, or at the option of the Corporation, in which case the amount of Junior Subordinated Debentures of another series or the number of shares of other securities to be received by the holders of Junior Subordinated Debentures would be calculated as of a time and in the manner stated in the applicable Prospectus Supplement.

## SUBORDINATION

In the Indenture, the Corporation has covenanted and agreed that any Junior Subordinated Debentures issued thereunder will be subordinate and junior in right of payment to all Senior Debt to the extent provided in the Indenture. Upon any payment or distribution of assets of the Corporation to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of the Corporation, the holders of Senior Debt will first be entitled to receive payment in full of all amounts due or to become due on such Senior Debt before the holders of Junior Subordinated Debentures or, in the case of Corresponding Junior Subordinated Debentures, the Property Trustee, on behalf of the holders of Trust Securities, will be entitled to receive or retain any payment in respect of the principal of (and premium, if any) or interest, if any, on the Junior Subordinated Debentures.

In the event of the acceleration of the maturity of any Junior Subordinated Debentures, the holders of all Senior Debt outstanding at the time of such acceleration will first be entitled to receive payment in full of all amounts due thereon (including any amounts due upon acceleration) before the holders of Junior Subordinated Debentures will be entitled to receive or retain any payment in respect of the principal of (or premium, if any) or interest, if any, on the Junior Subordinated Debentures.

No payments on account of principal (or premium, if any) or interest in respect of the Junior Subordinated Debentures may be made if there shall have occurred and be continuing a default in any payment with respect to Senior Debt or an event of default with respect to any Senior Debt resulting in the acceleration of the maturity thereof, or if any judicial proceeding shall be pending with respect to any such default.

"Debt" means with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed; (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person; (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of such Person; (vi) every obligation of such Person for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity forward contracts, swaps and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person and all dividends of another Person the payment of which, in either case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise.

"Senior Debt" means the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Corporation whether or not such claim for post-petition interest is allowed in such proceeding), on Debt of the Corporation, whether incurred on or prior to the date of the Indenture or thereafter incurred, unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the Junior Subordinated Debentures or to other Debt which is pari passu with, or subordinated to, the Junior Subordinated Debentures; provided, however, that Senior Debt shall not be deemed to include (i) any Debt of the Corporation which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Corporation; (ii) any Debt of the Corporation to any of its subsidiaries; (iii) Debt to any employee of the Corporation; (iv) Debt which by its terms is subordinated to trade accounts payable or accrued liabilities arising in the ordinary course of business to the extent that payments made to the holders of such Debt by the holders of the Junior Subordinated Debentures as a result of the subordination provisions of the Indenture would be greater than such payments otherwise would have been (absent giving effect to this clause (iv)) as a result of any obligation of such holders of such Debt to pay amounts over to the obligees on such trade accounts payable or accrued liabilities arising in the ordinary course of business as a result of subordination provisions to which such Debt is subject; and (v) any other debt securities issued pursuant to the Indenture; provided further, however, that with respect to Corresponding Junior Subordinated Debentures relating to Preferred Securities, Senior Debt shall include all Debt of the Corporation to any of its subsidiaries.

The Indenture places no limitation on the amount of Senior Debt that may be incurred by the Corporation. The Corporation expects from time to time to incur substantial additional indebtedness and other obligations constituting Senior Debt including, without limitation, any additional indebtedness and other obligations to be incurred by the Corporation upon the consummation of the Transaction referenced in "Recent Developments; NorAm Merger".

The Indenture provides that the foregoing subordination provisions, insofar as they relate to any particular issue of Junior Subordinated Debentures, may be changed prior to such issuance. Any such change would be described in the applicable Prospectus Supplement.

#### TRUST EXPENSES

Pursuant to the Agreement as to Expenses and Liabilities (the "Expense Agreement"), the Corporation, as holder of the Common Securities, will irrevocably and unconditionally agree with each Issuer that holds Junior Subordinated Debentures that the Corporation will pay to such Issuer, and reimburse such Issuer for, the full amount of any costs, expenses or liabilities of the Issuer, other than obligations of the Issuer to pay to the holders of any Securities or other similar interests in the Issuer the amounts due such holders pursuant to the terms of the Securities or such other similar interests, as the case may be. Such payment obligation will include any such costs, expenses or liabilities of the Issuer that are required by applicable law to be satisfied in connection with a termination of such Issuer.

#### GOVERNING LAW

The Indenture and the Junior Subordinated Debentures will be governed by and construed in accordance with the laws of the State of New York.

#### INFORMATION CONCERNING THE DEBENTURE TRUSTEE

The Debenture Trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the Debenture Trustee is under no obligation to exercise any of the powers vested in it by the Indenture at

the request of any holder of Junior Subordinated Debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Debenture Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Debenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

#### CORRESPONDING JUNIOR SUBORDINATED DEBENTURES

The Corresponding Junior Subordinated Debentures may be issued in one or more series of Junior Subordinated Debentures under the Indenture with terms corresponding to the terms of a series of Related Securities. In that event, concurrently with the issuance of each Issuer's Securities, such Issuer will invest the proceeds thereof and the consideration paid by the Corporation for the Common Securities of such Issuer in such series of Corresponding Junior Subordinated Debentures issued by the Corporation to such Issuer. Each series of Corresponding Junior Subordinated Debentures will be in the principal amount equal to the aggregate stated Liquidation Amount of the Related Securities and the Common Securities of such Issuer and will rank pari passu with all other series of Junior Subordinated Debentures. Holders of the Related Securities for a series of Corresponding Junior Subordinated Debentures will have the rights in connection with modifications to the Indenture or upon occurrence of Debenture Events of Default, as described under "--Modification of Indenture" and "--Debenture Events of Default", unless provided otherwise in the Prospectus Supplement for such Related Securities.

The Corporation will have the right to redeem any series of Corresponding Junior Subordinated Debentures on or after such date as may be specified in the applicable Prospectus Supplement, in whole at any time or in part from time to time, or as may be otherwise specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the redemption price for any Corresponding Junior Subordinated Debentures shall be equal to 100% of the principal amount of such Corresponding Junior Subordinated Debentures then outstanding plus accrued and unpaid interest to the date fixed for redemption. For so long as the applicable Issuer is the holder of all the outstanding Corresponding Junior Subordinated Debentures of such series, the proceeds of any such redemption will be used by the Issuer to redeem the corresponding Trust Securities in accordance with their terms. The Corporation may not redeem a series of Corresponding Junior Subordinated Debentures in part unless all accrued and unpaid interest has been paid in full on all outstanding Corresponding Junior Subordinated Debentures of such series for all interest periods terminating on or prior to the Redemption Date.

#### DESCRIPTION OF SECURITIES

Each Issuer may issue only one series of Securities, the terms of which will be set forth in the Prospectus Supplement relating thereto. Pursuant to the terms of the Trust Agreement for each Issuer, the Issuer Trustees on behalf of such Issuer will issue the Preferred Securities or the Capital Securities and the Common Securities. The Securities of a particular issue will represent undivided beneficial interests in the assets of such Issuer and the holders thereof will be entitled to a preference in certain circumstances with respect to Distributions and amounts payable on redemption or liquidation over the Common Securities of such Issuer, as well as other benefits as described in the corresponding Trust Agreement. This summary of certain provisions of the Securities and each Trust Agreement, which summarizes the material terms thereof, does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of each Trust Agreement, including the definitions therein of certain terms, and the Trust Indenture Act, to each of which description reference is hereby made. Wherever particular defined terms of a Trust Agreement (as amended or supplemented from time to time) are referred to herein or in a Prospectus Supplement, such defined terms are incorporated herein or therein by reference. The form of the Trust Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. Each of the Issuers is a legally separate entity and the assets of one are not available to satisfy the obligations of any of the others.

## GENERAL

The Securities of an Issuer will rank pari passu, and payments will be made thereon pro rata, with the Common Securities of that Issuer except as described under "--Subordination of Common Securities". Legal title to the Corresponding Junior Subordinated Debentures will be held by the Property Trustee in trust for the benefit of the holders of the Related Securities and Common Securities. Each Guarantee Agreement executed by the Corporation for the benefit of the holders of an Issuer's Trust Securities (the "Guarantee") will be a guarantee on a subordinated basis with respect to the related Trust Securities but will not guarantee payment of Distributions or amounts payable on redemption or liquidation of such Trust Securities when the related Issuer does not have funds on hand available to make such payments. See "Description of Guarantees".

The Securities of each Issuer will have such terms, including distribution, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Issuer. Reference is made to the Prospectus Supplement relating to the Securities of an Issuer for specific terms, including (i) the distinctive designation of such Securities; (ii) the number of Securities to be issued by such Issuer; (iii) the annual distribution rate (or method of determining such rate) for Securities of such Issuer and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Securities shall be cumulative and, in the case of Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Issuer to the holders of the Securities of such Issuer upon voluntary or involuntary dissolution, winding-up or termination of such Issuer; (vi) the obligation or right, if any, of such Issuer to purchase or redeem such Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Securities shall or may be purchased or redeemed, in whole or in part, pursuant to such obligation or right; (vii) the rights, if any, to defer distributions on the Securities by extending the interest payment period on the Corresponding Junior Subordinated Debentures; and (viii) any other relative rights, preferences, privileges, limitations or restrictions of such Securities not inconsistent with the Trust Agreement of such Issuer or applicable law. Any material United States federal income tax considerations applicable to an offering of Securities will be described in the Prospectus Supplement relating thereto.

## DISTRIBUTIONS

Distributions on the Securities will be cumulative, will accumulate from the date of original issuance and will be payable on such dates as specified in the applicable Prospectus Supplement. In the event that any date on which Distributions are payable on the Securities is not a Business Day (as defined below), payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect to any such delay) except that, if such Business Day is in the next succeeding calendar year, payment of such Distribution shall be made on the immediately preceding Business Day, in either case with the same force and effect as if made on such date (each date on which Distributions are payable in accordance with the foregoing, a "Distribution Date"). A "Business Day" shall mean any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the corporate trust office of the Property Trustee or the Debenture Trustee is closed for business.

Each Issuer's Securities represent undivided beneficial interests in the assets of the applicable Issuer, and the Distributions on each Trust Security will be payable at a rate specified in the applicable Prospectus Supplement for such Securities. The amount of Distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months unless otherwise specified in the applicable Prospectus Supplement. Distributions to which holders of Securities are entitled will accumulate additional Distributions (to the extent permitted by applicable law) at the rate per annum if

and as specified in the applicable Prospectus Supplement. The term "Distributions" as used herein includes any such additional Distributions unless otherwise stated.

If provided in the applicable Prospectus Supplement, the Corporation has the right under the Indenture, pursuant to which it will issue the Corresponding Junior Subordinated Debentures, to defer the payment of interest at any time or from time to time on any series of the Corresponding Junior Subordinated Debentures for up to such number of consecutive interest payment periods which will be specified in such Prospectus Supplement relating to such series (each, an "Extension Period"); provided that no Extension Period may extend beyond the Stated Maturity of the Corresponding Junior Subordinated Debentures. As a consequence of any such deferral, Distributions on the Related Securities would be deferred (but would continue to accumulate additional Distributions thereon at the rate per annum set forth in the Prospectus Supplement for such Securities) by the Issuer of such Securities during any such Extension Period. During such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation that, in either case, rank pari passu with or junior in interest to the Corresponding Junior Subordinated Debentures (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights pursuant to a stockholders' rights plan, (c) payments under the Guarantee with respect to such Securities and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period).

The revenue of each Issuer available for distribution to holders of its Securities will be limited to payments under the Corresponding Junior Subordinated Debentures in which the Issuer will invest the proceeds from the issuance and sale of its Trust Securities and the related Expense Agreement. See "Description of Junior Subordinated Debentures--Corresponding Junior Subordinated Debentures". If the Corporation does not make interest payments on such Corresponding Junior Subordinated Debentures, the Property Trustee will not have funds available to pay Distributions on the Related Securities. The payment of Distributions (to the extent the Issuer has funds on hand available therefor at such time) is guaranteed by the Corporation on the basis set forth herein under "Description of Guarantees".

Distributions on the Securities will be payable to the holders thereof as they appear on the register of such Issuer on the relevant record dates, which, as long as the Securities remain in book-entry form, will be one Business Day prior to the relevant Distribution Date. Subject to any applicable laws and regulations and the provisions of the applicable Trust Agreement, each such payment will be made as described under "Book-Entry Issuance". In the event any Securities are not in book-entry form, the relevant record date for such Securities shall be the close of business on the 15th day of the month immediately preceding the relevant Distribution Date.

#### REDEMPTION OR DISTRIBUTION

**MANDATORY REDEMPTION.** Unless otherwise specified in the applicable Prospectus Supplement, upon the repayment or redemption, in whole or in part, of any Corresponding Junior Subordinated Debentures, whether at maturity or upon earlier redemption as provided in the Indenture, the proceeds from such repayment or redemption will be applied by the Property Trustee to redeem a Like Amount

(as defined below) of the Trust Securities, upon not less than 30 nor more than 60 days' notice, at a redemption price (the "Redemption Price") equal to the aggregate Liquidation Amount of such Trust Securities plus accumulated but unpaid Distributions thereon to the date of redemption (the "Redemption Date") and, to the extent specified in the Prospectus Supplement, the related amount of the premium, if any, paid by the Corporation upon the concurrent redemption of such Corresponding Junior Subordinated Debentures. See "Description of Junior Subordinated Debentures--Redemption". If less than all of any series of Corresponding Junior Subordinated Debentures are to be repaid or redeemed on a Redemption Date, then the proceeds from such repayment or redemption will be allocated to the redemption pro rata on the Related Securities and the Common Securities. The amount of premium, if any, paid by the Corporation upon the redemption of all or any part of any series of any Corresponding Junior Subordinated Debentures to be repaid or redeemed on a Redemption Date will be allocated to the redemption pro rata on the Related Securities and the Common Securities.

"Like Amount" means (i) with respect to a redemption of any series of Trust Securities, Trust Securities of such series having a Liquidation Amount equal to the principal amount of Corresponding Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Indenture, allocated to the Common Securities and to the Securities pro rata based upon the relative Liquidation Amounts of such securities, the proceeds of which will be used to pay the Redemption Price of such Trust Securities and (ii) with respect to a distribution of Corresponding Junior Subordinated Debentures to holders of any series of Trust Securities in connection with a dissolution and winding-up of the related Issuer, Corresponding Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the holder to whom such Corresponding Junior Subordinated Debentures are distributed.

The Corporation will have the right to redeem any series of Corresponding Junior Subordinated Debentures (i) on or after such date as may be specified in the applicable Prospectus Supplement, in whole at any time or in part from time to time, or (ii) as may be otherwise specified in the applicable Prospectus Supplement.

**DISTRIBUTION OF CORRESPONDING JUNIOR SUBORDINATED DEBENTURES.** At any time, the Corporation has the right to direct the Property Trustee to dissolve an Issuer and, after satisfaction of the liabilities of creditors of such Issuer as provided by applicable law, cause the Corresponding Junior Subordinated Debentures held by such Issuer to be distributed to the holders of the Related Securities and Common Securities of such Issuer. If provided in the applicable Prospectus Supplement and subject to the conditions contained therein, the Corporation may have the right to extend or shorten the maturity of any series of Corresponding Junior Subordinated Debentures to be distributed to the holders of the Related Securities and Common Securities in liquidation of the Issuer.

Generally, after the liquidation date fixed for any distribution of Corresponding Junior Subordinated Debentures, (i) such series of Securities will no longer be deemed to be outstanding and the rights of the holders of such Securities, as such, will cease, (ii) the Depositary or its nominee, as the recordholder of such series of Securities, will receive a registered global certificate or certificates representing the Corresponding Junior Subordinated Debentures to be delivered upon such distribution, (iii) any certificates representing such series of Securities not held by the Depositary or its nominee will be deemed to represent the Corresponding Junior Subordinated Debentures having a principal amount equal to the stated Liquidation Amount of such series of Securities, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on such series of Securities until such certificates are presented to the Administrative Trustees or their agent for transfer or reissuance and (iv) the Corporation shall use its best efforts to have the Corresponding Junior Subordinated Debentures listed on the national stock exchange or automated quotation system on which the Securities are then listed or traded, if any.

There can be no assurance as to the market prices for the Securities or the Corresponding Junior Subordinated Debentures that may be distributed if a dissolution and liquidation of an Issuer were to

occur. Accordingly, the Securities that an investor may purchase, or the Corresponding Junior Subordinated Debentures that the investor may receive on dissolution and winding-up of an Issuer, may trade at a discount to the price that the investor paid to purchase the Securities offered hereby.

#### REDEMPTION PROCEDURES

Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the applicable proceeds from the contemporaneous redemption of the Corresponding Junior Subordinated Debentures. Redemptions of the Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the related Issuer has funds on hand available for the payment of such Redemption Price. See also "--Subordination of Common Securities".

If a Property Trustee gives a notice of redemption in respect of any Securities, then, by 12:00 noon, New York City time, on the Redemption Date, to the extent funds are available, the Property Trustee will, so long as such Securities are in book-entry form, deposit irrevocably with the Depositary funds sufficient to pay the applicable Redemption Price, and an Administrative Trustee or the Property Trustee will give the Depositary irrevocable instructions and authority to pay the Redemption Price to the holders of such Securities. See "Book-Entry Issuance". If such Securities are no longer in book-entry form, the Property Trustee, to the extent funds are available, will irrevocably deposit with the paying agent for such Securities funds sufficient to pay the applicable Redemption Price and will give such paying agent irrevocable instructions and authority to pay the Redemption Price to the holders thereof upon surrender of their certificates evidencing such Securities. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the holders of such Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of the holders of such Trust Securities so called for redemption will cease, except the right of the holders of such Trust Securities to receive the Redemption Price and any Distribution payable on or prior to the Redemption Date, but without interest thereon, and such Trust Securities will cease to be outstanding. In the event that any date fixed for redemption of such Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of Trust Securities called for redemption is improperly withheld or refused and not paid either by the Issuer or by the Corporation pursuant to the Guarantee as described under "Description of Guarantees", Distributions on such Trust Securities will continue to accumulate at the then-applicable rate, from the Redemption Date originally established by the Issuer for such Trust Securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price.

Subject to applicable law (including, without limitation, United States federal securities law), the Corporation or its subsidiaries may at any time and from time to time purchase outstanding Securities by tender, in the open market or by private agreement.

Payment of the Redemption Price on the Trust Securities shall be made to the applicable recordholders thereof as they appear on the register for such Trust Securities on the relevant record date, which shall be one Business Day prior to the Redemption Date; provided, however, that in the event that any Trust Securities are not in book-entry form, the relevant record date for such Trust Securities shall be the close of business on the date 15 days prior to the relevant Redemption Date, unless otherwise specified in the applicable Prospectus Supplement.

If less than all of the Securities and Common Securities issued by an Issuer are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of such Securities and Common Securities to be redeemed shall be allocated on a pro rata basis (based on Liquidation Amounts) among the Securities and the Common Securities. The particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the outstanding Securities not previously called for redemption, by lot or by such other method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$25 or an integral multiple of \$25 in excess thereof for Preferred Securities and equal to \$1,000 or an integral multiple of \$1,000 in excess thereof for Capital Securities, unless otherwise specified in the applicable Prospectus Supplement) of the Liquidation Amount of Securities of a denomination larger than \$25 for Preferred Securities and \$1,000 for Capital Securities. The Property Trustee shall promptly notify the trust registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of each Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the aggregate Liquidation Amount of Securities which has been or is to be redeemed.

Notice of any redemption will be mailed at least 30 days but not more than 60 days prior to the Redemption Date to each holder of Trust Securities to be redeemed at its registered address.

#### SUBORDINATION OF COMMON SECURITIES

Payment of Distributions on, and the Redemption Price of, each Issuer's Securities and Common Securities, as applicable, shall be made pro rata based on the Liquidation Amount of such Securities and Common Securities; provided, however, that if on any Distribution Date or Redemption Date a Debenture Event of Default shall have occurred and be continuing, no payment of any Distribution on, or Redemption Price of, any of the Issuer's Common Securities, and no other payment on account of the redemption, liquidation or other acquisition of such Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions on all of the Issuer's outstanding Securities for all Distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price, the full amount of such Redemption Price on all of the Issuer's outstanding Securities then called for redemption, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions on, or the Redemption Price of, the Issuer's Securities then due and payable.

In the case of any event of default under the applicable Trust Agreement resulting from a Debenture Event of Default, the holder of such Issuer's Common Securities will be deemed to have waived any right to act with respect to any such event of default under the applicable Trust Agreement until the effect of all such events of default with respect to such Securities have been cured, waived or otherwise eliminated. Until any such event of default under the applicable Trust Agreement with respect to the Securities has been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the holders of such Securities and not on behalf of the holder of the Issuer's Common Securities, and only the holders of such Securities will have the right to direct the Property Trustee to act on their behalf.

#### LIQUIDATION DISTRIBUTION UPON TERMINATION

Pursuant to each Trust Agreement, each Issuer shall automatically dissolve upon expiration of its term, and may dissolve earlier on the first to occur of: (i) certain events of bankruptcy, dissolution or liquidation of the holder of the Common Securities; (ii) the written direction to the Property Trustee from the holder of Common Securities to dissolve such Issuer and, after satisfaction of liabilities to creditors of such Issuer as provided by applicable law, to distribute Corresponding Junior Subordinated

Debentures to the holders of the Issuer's Securities in exchange for such Securities; (iii) the redemption of all of the Issuer's Securities as described under "--Redemption or Distribution--Mandatory Redemption"; and (iv) the entry of an order for the dissolution of the Issuer by a court of competent jurisdiction.

If an early dissolution occurs as described in clause (i), (ii) or (iv) above, or upon the expiration of its term, the Issuer shall be wound up by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after satisfaction of liabilities to creditors of such Issuer as provided by applicable law, to the holders of such Trust Securities a Like Amount of the Corresponding Junior Subordinated Debentures, unless such distribution is determined by the Property Trustee not to be practical, or if early dissolution occurs as described in clause (iii) above, in which event such holders will be entitled to receive out of the assets of the Issuer available for distribution to holders, after satisfaction of liabilities to creditors of such Issuer as provided by applicable law, an amount equal to, in the case of holders of Securities, the aggregate of the Liquidation Amount plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because such Issuer has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by such Issuer on its Securities shall be paid on a pro rata basis. The holder(s) of such Issuer's Common Securities will be entitled to receive Liquidation Distributions upon any such liquidation pro rata with the holders of such Issuer's Securities, except that, if a Debenture Event of Default relating to the payment of principal, premium, if any, or interest on Corresponding Junior Subordinated Debentures has occurred and is continuing, the Securities shall have a priority over the Common Securities.

#### EVENTS OF DEFAULT; NOTICE

Any one of the following events constitutes an "Event of Default" under each Trust Agreement with respect to the Securities issued thereunder (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the occurrence of a Debenture Event of Default (see "Description of Junior Subordinated Debentures--Debenture Events of Default");

(ii) default by the Issuer in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days;

(iii) default by the Issuer in the payment of any Redemption Price of any Trust Security when it becomes due and payable;

(iv) default in the performance or breach, in any material respect, of any covenant or warranty of the Issuer Trustees in such Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above) and continuation of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the defaulting Issuer Trustee or Trustees and the Corporation by the holders of at least 25% in aggregate Liquidation Amount of the outstanding Securities of the applicable Issuer, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under such Trust Agreement; or

(v) the occurrence of certain events of bankruptcy or insolvency with respect to the Issuer.

Within ten Business Days after the occurrence of any Event of Default actually known to a Responsible Officer (as defined in the applicable Trust Agreement) of the Property Trustee, the Property Trustee shall transmit notice of such Event of Default to the holders of such Issuer's Securities, the Administrative Trustees and the Corporation, as Depositor, unless such Event of Default

shall have been cured or waived. If an Event of Default has occurred and is continuing, the Property Trustee shall enforce the applicable Trust Agreement for the benefit of the holders of the Trust Securities. The Corporation, as Depositor, and the Administrative Trustees are required to file annually with the Property Trustee a certificate as to whether or not they are in compliance with all the conditions and covenants applicable to them under each Trust Agreement.

If an Event of Default resulting from any Debenture Event of Default occurs and is continuing, then, pursuant to the applicable Trust Agreement, holders of a majority in aggregate Liquidation Amount of Securities will have the right to direct the exercise of any trust or power conferred upon the related Property Trustee under the related Trust Agreement. Upon a Debenture Event of Default specified in clause (i) or clause (ii) in the list of Debenture Events of Default, a holder of Securities may institute a legal proceeding directly against the Corporation, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Corresponding Junior Subordinated Debentures having a principal amount equal to the aggregate stated Liquidation Amount of the Securities of such holder. See "Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees".

If a Debenture Event of Default has occurred and is continuing, the Securities shall have a preference over the Common Securities as described above. See "--Subordination of Common Securities" and "--Liquidation Distribution Upon Termination". The existence of an Event of Default, other than an Event of Default described in clause (i) above, does not entitle the holders of Securities to accelerate the maturity thereof. Following an Event of Default as described in clause (i) above, the holders of at least 25% in aggregate Liquidation Amount of the outstanding Securities of the applicable Issuer will have the right to declare the principal of all of the Corresponding Junior Subordinated Debentures to be immediately due and payable as set forth in the Indenture.

#### REMOVAL OF ISSUER TRUSTEES

Unless a Debenture Event of Default shall have occurred and be continuing, any Issuer Trustee may be removed at any time by the holder of the Common Securities. If a Debenture Event of Default has occurred and is continuing, the Property Trustee or the Delaware Trustee may be removed at such time by the holders of a majority in Liquidation Amount of the outstanding Securities. In no event will the holders of the Securities have the right to vote to appoint, remove or replace the Administrative Trustees, which voting rights are vested exclusively in the Corporation as the holder of the Common Securities. No resignation or removal of an Issuer Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the applicable Trust Agreement.

#### CO-TRUSTEES AND SEPARATE PROPERTY TRUSTEE

Unless an Event of Default shall have occurred and be continuing, at any time or from time to time, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Corporation, as the holder of the Common Securities, and the Administrative Trustees shall have power to appoint one or more Persons either to act as a co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as a separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in such capacity any property, title, right or power deemed necessary or desirable, subject to the provisions of the applicable Trust Agreement. In case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

## MERGER OR CONSOLIDATION OF ISSUER TRUSTEES

Any Person into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Trustee, shall be the successor of such Trustee under each Trust Agreement, provided such Person shall be otherwise qualified and eligible.

## MERGERS, CONSOLIDATIONS, AMALGAMATIONS OR REPLACEMENTS OF THE ISSUERS

An Issuer may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other Person, except as described below. An Issuer may, at the request of the holder of Common Securities, with the consent of the Administrative Trustees and without the consent of the holders of the Securities, the Property Trustee or the Delaware Trustee, merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any state; provided, that (i) such successor entity either (a) expressly assumes all of the obligations of such Issuer with respect to the Securities or (b) substitutes for the Securities other securities having substantially the same material terms as the Securities (the "Successor Securities") so long as the Successor Securities have the same priority as the Securities with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Corporation expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Corresponding Junior Subordinated Debentures, (iii) the Successor Securities are listed or traded, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Securities are then listed or traded, if any, (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization which gives ratings on the Securities, (v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the holders of the Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Issuer, (vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Property Trustee has received an opinion from counsel to the Issuer experienced in such matters to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the holders of the Securities (including any Successor Securities) in any material respect and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Issuer nor such successor entity will be required to register as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and (viii) the Corporation or any permitted transferee owns all of the Common Securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, an Issuer shall not, except with the consent of holders of 100% in Liquidation Amount of the Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Issuer or the successor entity to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

## VOTING RIGHTS; AMENDMENT OF EACH TRUST AGREEMENT

Except as provided below and under "Description of Guarantees--Amendments and Assignment" and as otherwise required by law and the applicable Trust Agreement, the holders of the Securities will have no voting rights.

Each Trust Agreement may be amended from time to time by the Corporation, the Property Trustee and the Administrative Trustees, without the consent of the holders of the Securities, (i) to cure any ambiguity, to correct or supplement any provisions in such Trust Agreement that may be inconsistent with any other provision or to make any other provisions with respect to matters or questions arising under such Trust Agreement which shall not be inconsistent with the other provisions of such Trust Agreement or (ii) to modify, eliminate or add to any provisions of such Trust Agreement to such extent as shall be necessary to ensure that the Issuer will not be classified for United States federal income tax purposes as an association taxable as a corporation or as other than a grantor trust at all times that any Trust Securities are outstanding or to ensure that the Issuer will not be required to register as an "investment company" under the Investment Company Act; provided, however, that in the case of either clause (i) or clause (ii), such action shall not adversely affect in any material respect the interests of any holder of Securities and any amendments of such Trust Agreement shall become effective when notice thereof is given to the holders of Trust Securities. Each Trust Agreement may be amended by the Administrative Trustees and the Corporation with (a) the consent of holders representing not less than a majority (based upon Liquidation Amounts) of the outstanding Trust Securities and (b) receipt by the Issuer Trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the Issuer Trustees in accordance with such amendment will not affect the Issuer's status as a grantor trust or cause the Issuer to be an association taxable as a corporation for United States federal income tax purposes or the Issuer's exemption from status as an "investment company" under the Investment Company Act; provided, that without the consent of each affected holder of Trust Securities, such Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (ii) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date; and provided further, that the consent requirement for actions set forth in clauses (i) and (ii) above may not be amended without the unanimous consent of the holders of Trust Securities.

So long as any Corresponding Junior Subordinated Debentures are held by the Property Trustee, the Property Trustee shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee or executing any trust power conferred on the Property Trustee with respect to such Corresponding Junior Subordinated Debentures, (ii) waive any past default that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Corresponding Junior Subordinated Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or such Corresponding Junior Subordinated Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of a majority in aggregate Liquidation Amount of all outstanding Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Corresponding Junior Subordinated Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior consent of each holder of the Related Securities. The Issuer Trustees shall not revoke any action previously authorized or approved by a vote of the holders of the Securities except by subsequent vote of the holders of the Securities. The Property Trustee shall notify each holder of Securities of any notice of default with respect to the Corresponding Junior Subordinated Debentures. In addition to obtaining the foregoing approvals of the holders of the Securities, prior to taking any of the foregoing actions, the Issuer Trustees shall obtain an opinion of counsel experienced in such matters to the effect that the Issuer will not be classified as an association taxable as a corporation for United States federal income tax purposes on account of such action and such action would not cause the Issuer to be classified as other than a grantor trust for United States federal income tax purposes.

Any required approval of holders of Securities may be given at a meeting of holders of Securities convened for such purpose or pursuant to written consent. The Property Trustee will cause a notice of

any meeting at which holders of Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each holder of record of Securities in the manner set forth in each Trust Agreement.

No vote or consent of the holders of Securities will be required for an Issuer to redeem and cancel its Securities in accordance with the applicable Trust Agreement.

Notwithstanding that holders of Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned by the Corporation, the Issuer Trustees or any affiliate of the Corporation or any Issuer Trustees shall, for purposes of such vote or consent, be treated as if they were not outstanding.

#### GLOBAL SECURITIES

The Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, the Depositary identified in the Prospectus Supplement relating to such series. Global Securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual Securities represented thereby, a Global Security may not be transferred except as a whole by the Depositary for such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by the Depositary or any nominee to a successor Depositary or any nominee of such successor.

The specific terms of the depositary arrangement with respect to a series of Securities will be described in the Prospectus Supplement relating to such series. The Corporation anticipates that the following provisions will generally apply to depositary arrangements.

Upon the issuance of a Global Security and the deposit of such Global Security with or on behalf of the Depositary, the Depositary for such Global Security or its nominee will credit, on its book-entry registration and transfer system, the respective aggregate Liquidation Amounts of the individual Securities represented by such Global Securities to the accounts of Participants. Such accounts shall be designated by the dealers, underwriters or agents with respect to such Securities or by the Corporation if such Securities are offered and sold directly by the Corporation. Ownership of beneficial interests in a Global Security will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable Depositary or its nominee (with respect to interests of Participants) and the records of Participants (with respect to interests of persons who hold through Participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the transfer of beneficial interests in a Global Security.

So long as the Depositary for a Global Security or its nominee is the registered owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such Global Security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have any of the individual Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of any such Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture.

Payments of principal of (and premium, if any) and interest on individual Securities represented by a Global Security registered in the name of a Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner of the Global Security representing such Securities. None of the Corporation, the Property Trustee, any Paying Agent or the Securities Registrar for such Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Global Security representing such Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Corporation expects that the Depository for a series of Securities or its nominee, upon receipt of any payment of Liquidation Amount, Redemption Price, premium or Distributions in respect of a permanent Global Security representing any of such Securities, immediately will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interest in the aggregate Liquidation Amount of such Global Security for such Securities as shown on the records of such Depository or its nominee. The Corporation also expects that payments by Participants to owners of beneficial interests in such Global Security held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name". Such payments will be the responsibility of such Participants.

Unless otherwise specified in the applicable Prospectus Supplement, if a Depository for a series of Securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Issuer within 90 days, the Issuer will issue individual Securities of such series in exchange for the Global Security representing such series of Securities. In addition, the Issuer may at any time and in its sole discretion, subject to any limitations described in the Prospectus Supplement relating to such Securities, determine not to have any Securities of such series represented by one or more Global Securities and, in such event, will issue individual Securities of such series in exchange for the Global Security or Securities representing such series of Securities. Further, if the Issuer so specifies with respect to the Securities of a series, an owner of a beneficial interest in a Global Security representing Securities of such series may, on terms acceptable to the Issuer, the Property Trustee and the Depository for such Global Security, receive individual Securities of such series in exchange for such beneficial interests, subject to any limitations described in the Prospectus Supplement relating to such Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of individual Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Securities registered in its name. Individual Securities of such series so issued will be issued in denominations, unless otherwise specified by the Issuer, of \$25 and integral multiples thereof if such Securities are Preferred Securities or \$1,000 and integral multiples thereof if such Securities are Capital Securities.

#### PAYMENT AND PAYING AGENT

Payments in respect of the Securities shall be made to the Depository, which shall credit the relevant accounts at the Depository on the applicable Distribution Dates or, if any Issuer's Securities are not held by the Depository, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Register. Unless otherwise specified in the applicable Prospectus Supplement, the paying agent (the "Paying Agent") shall initially be the Property Trustee and any co-paying agent chosen by the Property Trustee and acceptable to the Administrative Trustees and the Corporation. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees, the Property Trustee and the Corporation. In the event that the Property Trustee shall no longer be the Paying Agent, the Administrative Trustees shall

appoint a successor (which shall be a bank or trust company acceptable to the Property Trustee and the Corporation) to act as Paying Agent.

#### REGISTRAR AND TRANSFER AGENT

Unless otherwise specified in the applicable Prospectus Supplement, the Property Trustee will act as registrar and transfer agent for the Securities.

Registration of transfers of Securities will be effected without charge by or on behalf of each Issuer, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The registrar will not be required to register the transfer of any Securities that have been called for redemption. The Administrative Trustees will not be required to issue, transfer or exchange any Securities that have been called for redemption. In addition, in the event of any redemption, neither the Corporation nor the Debenture Trustee shall be required to (i) issue, transfer or exchange Junior Subordinated Debentures of any series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Junior Subordinated Debentures of that series and ending at the close of business on the day of such mailing of notice of redemption or (ii) transfer or exchange any Junior Subordinated Debentures so selected for redemption, except, in the case of any Junior Subordinated Debentures to be redeemed in part, any portion thereof not to be redeemed.

#### INFORMATION CONCERNING THE PROPERTY TRUSTEE

The Property Trustee, other than during the occurrence and continuance of an Event of Default, undertakes to perform only such duties as are specifically set forth in each Trust Agreement and, after such Event of Default, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Property Trustee is under no obligation to exercise any of the powers vested in it by the applicable Trust Agreement at the request of any holder of Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby. If no Event of Default has occurred and is continuing and the Property Trustee is required to decide between alternative causes of action or construe ambiguous provisions in the applicable Trust Agreement or is unsure of the application of any provision of the applicable Trust Agreement, and the matter is not one on which holders of Securities are entitled under such Trust Agreement to vote, then the Property Trustee shall take such action as is directed by the Corporation and, if not so directed, shall take such action as it deems advisable and in the best interests of the holders of the Trust Securities and will have no liability except for its own bad faith, negligence or willful misconduct.

#### MISCELLANEOUS

The Administrative Trustees are authorized and directed to conduct the affairs of and to operate the Issuers in such a way so that (i) no Issuer will be deemed to be an "investment company" required to be registered under the Investment Company Act or classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes and (ii) the Corresponding Junior Subordinated Debentures will be treated as indebtedness of the Corporation for United States federal income tax purposes. In this connection, the Corporation and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of each Issuer or each Trust Agreement, that the Corporation and the Administrative Trustees determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the holders of the Related Securities.

Holders of the Securities have no preemptive or similar rights.

No Issuer may borrow money or issue debt or mortgage or pledge any of its assets.

## BOOK-ENTRY ISSUANCE

The Depository Trust Company ("DTC") will act as securities depository for all of the Securities and the Junior Subordinated Debentures, unless otherwise provided in the applicable Prospectus Supplement. The Securities and the Junior Subordinated Debentures will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's nominee). One or more fully registered global certificates will be issued for the Securities of each Issuer and the Junior Subordinated Debentures, representing in the aggregate the total number of such Issuer's Securities or aggregate principal balance of Junior Subordinated Debentures, respectively, and will be deposited with DTC.

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

Purchases of Securities or Junior Subordinated Debentures within the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities or Junior Subordinated Debentures on DTC's records. The ownership interest of each actual purchaser of each Preferred Security and each Junior Subordinated Debenture ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Securities or Junior Subordinated Debentures. Transfers of ownership interests in the Securities or Junior Subordinated Debentures are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities or Junior Subordinated Debentures, except in the event that use of the book-entry system for the Securities of such Issuer or Junior Subordinated Debentures is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Securities or Junior Subordinated Debentures; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities or Junior Subordinated Debentures are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to Cede & Co. as the registered holder of the Securities or Junior Subordinated Debentures. If less than all of an Issuer's Securities or the Junior Subordinated Debentures are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Although voting with respect to the Securities or the Junior Subordinated Debentures is limited to the holders of record of the Securities or Junior Subordinated Debentures, in those instances in which a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Securities or Junior Subordinated Debentures. Under its usual procedures, DTC would mail an omnibus proxy (the "Omnibus Proxy") to the relevant Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Securities or Junior Subordinated Debentures are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distribution payments on the Securities or the Junior Subordinated Debentures will be made by the relevant Trustee to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the responsibility of such Participant and not of DTC, the relevant Trustee, the Issuer thereof or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Distributions to DTC is the responsibility of the relevant Trustee. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to any of the Securities or the Junior Subordinated Debentures at any time by giving reasonable notice to the relevant Trustee and the Corporation. In the event that a successor securities depository is not obtained, definitive Security or Junior Subordinated Debenture certificates representing such Securities or Junior Subordinated Debentures are required to be printed and delivered. The Corporation, at its option, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). After a Debenture Event of Default, the holders of a majority in liquidation preference of Securities or in aggregate principal amount of Junior Subordinated Debentures may determine to discontinue the system of book-entry transfers through DTC. In any such event, definitive certificates for such Securities or Junior Subordinated Debentures will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuers and the Corporation believe to be accurate, but the Issuers and the Corporation assume no responsibility for the accuracy thereof. Neither the Issuers nor the Corporation has any responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

## DESCRIPTION OF GUARANTEES

A Guarantee will be executed and delivered by the Corporation concurrently with the issuance by each Issuer of its Securities for the benefit of the holders from time to time of such Securities and the Common Securities. The Bank of New York will act as indenture trustee ("Guarantee Trustee") under each Guarantee for the purposes of compliance with the Trust Indenture Act and each Guarantee will be qualified as an indenture under the Trust Indenture Act. This summary of certain provisions of the Guarantees, which summarizes the material terms thereof, does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of each Guarantee, including the definitions therein of certain terms, and the Trust Indenture Act, to each of which description reference is hereby made. The form of each Guarantee has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. Reference in this summary to Securities means that Issuer's Securities to which a Guarantee relates. The Guarantee Trustee will hold each Guarantee for the benefit of the holders of the related Issuer's Securities and Common Securities.

### GENERAL

The Corporation will irrevocably and unconditionally agree to pay in full on a subordinated basis, to the extent set forth herein, the Guarantee Payments (as defined below) to the holders of the Trust Securities, as and when due, regardless of any defense, right of set-off or counterclaim that such Issuer may have or assert other than the defense of payment. The following payments with respect to the Securities, to the extent not paid or made by or on behalf of the related Issuer (the "Guarantee Payments"), will be subject to the Guarantee: (i) any accumulated and unpaid Distributions required to be paid on such Trust Securities, to the extent that such Issuer has funds on hand available therefor at such time; (ii) the Redemption Price with respect to any Securities called for redemption, to the extent that such Issuer has funds on hand available therefor at such time; or (iii) upon a voluntary or involuntary dissolution, winding-up or liquidation of such Issuer (unless the Corresponding Junior Subordinated Debentures are distributed to holders of such Securities), the lesser of (a) the Liquidation Distribution and (b) the amount of assets of such Issuer remaining available for distribution to holders of Trust Securities in liquidation of such Issuer after satisfaction of liabilities to creditors of such Issuer as required by applicable law. The Corporation's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Corporation to the holders of the applicable Trust Securities or by causing the Issuer to pay such amounts to such holders.

Each Guarantee will be an irrevocable guarantee on a subordinated basis of the related Issuer's obligations under the Securities, but will apply only to the extent that such related Issuer has funds sufficient to make such payments and is not a guarantee of collection.

If the Corporation does not make interest payments on the Corresponding Junior Subordinated Debentures held by the Issuer, the Issuer will not be able to pay Distributions on the Securities and will not have funds legally available therefor. Each Guarantee will rank subordinate and junior in right of payment to all Senior Debt of the Corporation. See "--Status of the Guarantees". Except as otherwise provided in the applicable Prospectus Supplement, the Guarantees do not limit the incurrence or issuance of other secured or unsecured debt of the Corporation, including Senior Debt, whether under the Indenture, any other existing indenture or any other indenture that the Corporation may enter into in the future or otherwise. See the applicable Prospectus Supplement relating to any offering of Securities.

The Corporation has, through the applicable Guarantee, the applicable Trust Agreement, the applicable series of Corresponding Junior Subordinated Debentures, the Indenture and the applicable Expense Agreement, taken together, fully, irrevocably and unconditionally guaranteed all of the Issuer's obligations under the Securities. No single document standing alone or operating in

conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Issuer's obligations under the Securities. See "Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees".

#### STATUS OF THE GUARANTEES

Each Guarantee will constitute an unsecured obligation of the Corporation and will rank subordinate and junior in right of payment to all Senior Debt of the Corporation in the same manner as Junior Subordinated Debentures.

Each Guarantee will rank pari passu with all other Guarantees issued by the Corporation. Each Guarantee will constitute a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against the Guarantor to enforce its rights under the Guarantee without first instituting a legal proceeding against any other person or entity). Each Guarantee will be held for the benefit of the holders of the related Securities. Each Guarantee will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Issuer or upon distribution to the holders of the Securities of the Corresponding Junior Subordinated Debentures. None of the Guarantees places a limitation on the amount of additional Senior Debt that may be incurred by the Corporation. The Corporation expects from time to time to incur substantial additional indebtedness and other obligations constituting Senior Debt, including, without limitation, such additional indebtedness and other obligations to be incurred by the Corporation upon the consummation of the Transaction. See "Recent Developments; NorAm Merger".

#### AMENDMENTS AND ASSIGNMENT

Except with respect to any changes which do not materially adversely affect the rights of holders of the related Securities (in which case no vote will be required), no Guarantee may be amended without the prior approval of the holders of not less than a majority of the aggregate Liquidation Amount of such outstanding Securities. The manner of obtaining any such approval will be as set forth under "Description of Securities--Voting Rights; Amendment of Each Trust Agreement". All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Corporation and shall inure to the benefit of the holders of the related Securities then outstanding.

#### EVENTS OF DEFAULT

An event of default under each Guarantee will occur upon the failure of the Corporation to perform any of its payment or other obligations thereunder. The holders of not less than a majority in aggregate Liquidation Amount of the related Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee.

Any holder of the Securities may institute a legal proceeding directly against the Corporation to enforce its rights under such Guarantee without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other person or entity.

The Corporation, as guarantor, is required to file annually with the Guarantee Trustee a certificate as to whether or not the Corporation is in compliance with all the conditions and covenants applicable to it under the Guarantee.

## INFORMATION CONCERNING THE GUARANTEE TRUSTEE

The Guarantee Trustee, other than during the occurrence and continuance of a default by the Corporation in performance of any Guarantee, undertakes to perform only such duties as are specifically set forth in each Guarantee and, after default with respect to any Guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of any Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby.

## TERMINATION OF THE GUARANTEES

Each Guarantee will terminate and be of no further force and effect upon full payment of the Redemption Price of all Related Securities, upon full payment of the amounts payable upon liquidation of the related Issuer or upon distribution of Corresponding Junior Subordinated Debentures to the holders of the Related Securities. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the Related Securities must restore payment of any sums paid under such Securities or such Guarantee.

## GOVERNING LAW

Each Guarantee will be governed by and construed in accordance with the laws of the State of New York.

## THE EXPENSE AGREEMENT

Pursuant to the Expense Agreement, the Corporation, as holder of the Common Securities, will irrevocably and unconditionally agree with each Issuer that holds Junior Subordinated Debentures that the Corporation will pay to such Issuer, and reimburse such Issuer for, the full amount of any costs, expenses or liabilities of the Issuer, other than obligations of the Issuer to pay to the holders of any Securities or other similar interests in the Issuer the amounts due such holders pursuant to the terms of the Securities or such other similar interests, as the case may be. Such payment obligation will include any such costs, expenses or liabilities of the Issuer that are required by applicable law to be satisfied in connection with a termination of such Issuer.

## RELATIONSHIP AMONG THE SECURITIES, THE CORRESPONDING JUNIOR SUBORDINATED DEBENTURES, THE EXPENSE AGREEMENT AND THE GUARANTEES

## FULL AND UNCONDITIONAL GUARANTEE

Payments of Distributions and other amounts due on the Securities (to the extent the Issuer has funds available for the payment of such Distributions) are irrevocably guaranteed by the Corporation as and to the extent set forth under "Description of Guarantees". Taken together, the Corporation's obligations under each series of Corresponding Junior Subordinated Debentures, the Indenture, the related Trust Agreement, the related Expense Agreement and the related Guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of Distributions and other amounts due on the Securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Issuer's obligations under the Related Securities. If and to the extent that the Corporation does not make payments on any series of Corresponding Junior Subordinated Debentures, such Issuer will not pay Distributions or other amounts due on the Securities. The Guarantees do not cover payment of Distributions when the related Issuer does not have sufficient funds to pay such Distributions. In such

event, the remedy of a holder of a series of Securities is to institute a legal proceeding directly against the Corporation pursuant to the terms of the Indenture for enforcement of payment of amounts equal to such Distributions to such holder. The obligations of the Corporation under each Guarantee are subordinate and junior in right of payment to all Senior Debt of the Corporation.

#### SUFFICIENCY OF PAYMENTS

As long as payments of interest and other payments are made when due on each series of Corresponding Junior Subordinated Debentures, such payments will be sufficient to cover Distributions and other payments due on the Related Securities, primarily because (i) the aggregate principal amount of each series of Corresponding Junior Subordinated Debentures will be equal to the sum of the aggregate stated Liquidation Amount of the Related Securities and related Common Securities; (ii) the interest rate and interest and other payment dates on each series of Corresponding Junior Subordinated Debentures will match the Distribution rate and Distribution and other payment dates for the Related Securities; (iii) the Corporation shall pay for all and any costs, expenses and liabilities of such Issuer except the Issuer's obligations to holders of its Securities under such Securities; and (iv) each Trust Agreement further provides that the Issuer will not engage in any activity that is not consistent with the limited purposes of such Issuer.

Notwithstanding anything to the contrary in the Indenture, the Corporation has the right to set off any payment it is otherwise required to make thereunder with and to the extent the Corporation has theretofore made, or is concurrently on the date of such payment making, a payment under the related Guarantee.

#### ENFORCEMENT RIGHTS OF HOLDERS OF SECURITIES

A holder of any Security may institute a legal proceeding directly against the Corporation to enforce its rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee, the related Issuer or any other person or entity.

A default or event of default under any Senior Debt of the Corporation would not constitute a default or Event of Default under the Indenture. However, in the event of payment defaults under, or acceleration of, Senior Debt of the Corporation, the subordination provisions of the Indenture provide that no payments may be made in respect of the Corresponding Junior Subordinated Debentures until such Senior Debt has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on any series of Corresponding Junior Subordinated Debentures would constitute an Event of Default under the Indenture.

#### LIMITED PURPOSE OF ISSUERS

Each Issuer's Securities evidence an undivided beneficial interest in the assets of such Issuer, and each Issuer exists for the sole purpose of issuing its Securities and Common Securities and investing the proceeds thereof in Corresponding Junior Subordinated Debentures. A principal difference between the rights of a holder of a Security and a holder of a Corresponding Junior Subordinated Debenture is that a holder of a Corresponding Junior Subordinated Debenture is entitled to receive from the Corporation the principal amount of and interest accrued on Corresponding Junior Subordinated Debentures held, while a holder of Securities is entitled to receive Distributions from such Issuer (or from the Corporation under the applicable Guarantee) if and to the extent such Issuer has funds available for the payment of such Distributions. However, taken together, the Corporation's obligations under each series of Corresponding Junior Subordinated Debentures, the Indenture, the related Trust Agreement, the related Expense Agreement and the related Guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of Distributions and other amounts due on the Related Securities. See "--Full and Unconditional Guarantee".

## RIGHTS UPON TERMINATION

Upon any voluntary or involuntary termination, winding-up or liquidation of any Issuer involving the liquidation of the Corresponding Junior Subordinated Debentures, the holders of the Related Securities will be entitled to receive, out of the assets held by such Issuer, the Liquidation Distribution in cash. See "Description of Securities--Liquidation Distribution Upon Termination". Upon any voluntary or involuntary liquidation or bankruptcy of the Corporation, the Property Trustee, as holder of the Corresponding Junior Subordinated Debentures, would be a subordinated creditor of the Corporation, subordinated in right of payment to all Senior Debt as set forth in the Indenture, but entitled to receive payment in full of principal and interest, before any stockholders of the Corporation receive payments or distributions. Since the Corporation is the guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Issuer (other than the Issuer's obligations to the holders of its Securities), the positions of a holder of such Securities and a holder of such Corresponding Junior Subordinated Debentures relative to other creditors and to stockholders of the Corporation in the event of liquidation or bankruptcy of the Corporation are expected to be substantially the same.

## PLAN OF DISTRIBUTION

The Junior Subordinated Debentures or the Securities may be sold in a public offering to or through underwriters or dealers designated from time to time or may be sold, from time to time, to investors directly or through agents. The Corporation and each Issuer may sell its Junior Subordinated Debentures or Securities as soon as practicable after effectiveness of the Registration Statement of which this Prospectus forms a part or from time to time thereafter. The names of any underwriters, dealers or agents involved in the sale of the Junior Subordinated Debentures or Securities in respect of which this Prospectus is delivered, the amount or number of Junior Subordinated Debentures and Securities to be purchased by any such underwriters and any applicable commissions or discounts will be set forth in the applicable Prospectus Supplement.

Underwriters may offer and sell Junior Subordinated Debentures or Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. In connection with the sale of Securities, underwriters may be deemed to have received compensation from the Corporation and/or the applicable Issuer in the form of underwriting discounts or commissions and may also receive commissions for purchasers of Junior Subordinated Debentures or Securities for whom they may act as agent. Underwriters may sell Junior Subordinated Debentures or Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Any underwriting compensation paid by the Corporation and/or the applicable Issuer to underwriters or agents in connection with the offering of Junior Subordinated Debentures or Securities, and any discounts, concessions or commissions allowed by such underwriters to participating dealers, will be described in an accompanying Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of Junior Subordinated Debentures or Securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions received by them and any profit realized by them on resale of such Junior Subordinated Debentures or Securities may be deemed to be underwriting discounts and commissions thereunder. Underwriters, dealers and agents may be entitled, under an agreement with the Corporation and the applicable Issuer, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act, and to reimbursement by the Corporation for certain expenses.

If so indicated in an applicable Prospectus Supplement, the Corporation will authorize dealers acting as the Corporation's agents to solicit offers by certain institutions to purchase Junior Subordinated Debentures or Securities from the Corporation at the public offering price set forth in

such Prospectus Supplement pursuant to delayed delivery contracts ("Contracts") providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Each Contract will be for an amount not less than, and the aggregate principal amount or Liquidation Amount, as the case may be, of Junior Subordinated Debentures or Securities sold pursuant to Contracts shall be not less nor more than, the respective amounts stated in such Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but will in all cases be subject to the approval of the Corporation. Contracts will not be subject to any conditions except (i) the purchase by an institution of the Junior Subordinated Debentures or Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject and (ii) if the Junior Subordinated Debentures or Securities are being sold to underwriters, the Corporation shall have sold to such underwriters the total principal amount or Liquidation Amount, as the case may be, of the Junior Subordinated Debentures or Securities less the principal amount or Liquidation Amount thereof covered by Contracts. Agents and underwriters will have no responsibility in respect of the delivery or performance of Contracts.

In connection with the offering of the Securities of any Issuer, such Issuer may grant to the underwriters an option to purchase additional Securities to cover over-allotments, if any, at the initial public offering price (with an additional underwriting commission), as may be set forth in the accompanying Prospectus Supplement. If such Issuer grants any over-allotment option, the terms of such over-allotment option will be set forth in the Prospectus Supplement for such Securities.

Underwriters, dealers and agents may engage in transactions with, or perform services for, the Corporation, the applicable Issuer and/or any of their affiliates in the ordinary course of business.

The Junior Subordinated Debentures and the Securities will be new issues of securities and will have no established trading market. Any underwriters to whom Junior Subordinated Debentures or Securities are sold for public offering and sale may make a market in such Junior Subordinated Debentures or Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. Such Junior Subordinated Debentures or Securities may or may not be listed on a national securities exchange or the Nasdaq National Market. No assurance can be given as to the liquidity of or the existence of trading markets for any Junior Subordinated Debentures or Securities.

#### VALIDITY OF SECURITIES

Unless otherwise indicated in the applicable Prospectus Supplement, certain matters of Delaware law relating to the validity of the Securities, the enforceability of the Trust Agreements and the formation of the Issuers will be passed upon by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Corporation and the Issuers. Unless otherwise indicated in the applicable Prospectus Supplement, the validity of the Guarantees and the Junior Subordinated Debentures will be passed upon for the Corporation by Baker & Botts, L.L.P., Houston, Texas. Certain legal matters will be passed upon for the Corporation by Hugh Rice Kelly, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Corporation, and for the Underwriters by Dewey Ballantine, New York, New York. Certain matters relating to United States federal income tax considerations will be passed upon for the Corporation by Baker & Botts, L.L.P.

#### EXPERTS

The financial statements of the Corporation appearing in the Corporation's Annual Report (Form 10-K) for the year ended December 31, 1995, have been audited by Deloitte & Touche LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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 HL&P CAPITAL TRUST I

% TRUST PREFERRED  
 SECURITIES, SERIES A

FULLY AND UNCONDITIONALLY GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

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PROSPECTUS

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GOLDMAN, SACHS & CO.  
MERRILL LYNCH & CO.  
DEAN WITTER REYNOLDS INC.  
DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION  
A.G. EDWARDS & SONS, INC.  
PAINWEBBER INCORPORATED  
PRUDENTIAL SECURITIES INCORPORATED  
SMITH BARNEY INC.

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