

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 5, 2001

REGISTRATION NO. 333-69502

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

AMENDMENT NO. 1

TO

FORM S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
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CENTERPOINT ENERGY, INC.

(FORMERLY RELIANT ENERGY REGCO, INC.)

(Exact Name of Registrant as Specified in its Charter)

TEXAS  
(State or Other Jurisdiction of  
Incorporation or Organization)

4911  
(Primary Standard Industrial  
Classification Code Number)

74-0694415  
(I.R.S. Employer  
Identification Number)

1111 LOUISIANA  
HOUSTON, TEXAS 77002  
(713) 207-3000  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal  
executive offices)

RUFUS S. SCOTT  
ASSISTANT CORPORATE SECRETARY  
1111 LOUISIANA  
HOUSTON, TEXAS 77002  
(713) 207-3000  
(Name, address, including zip code, and telephone  
number,  
including area code, of agent for service)

COPIES TO:  
GERALD M. SPEDALE  
BAKER BOTTS L.L.P.  
910 LOUISIANA  
ONE SHELL PLAZA  
HOUSTON, TEXAS 77002-4995  
(713) 229-1234  
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon  
as practicable after this Registration Statement becomes effective and all other  
conditions under the Agreement and Plan of Merger included as Annex A to the  
enclosed joint proxy statement/prospectus have been satisfied or waived.

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

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

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

# CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, without par value.....	306,456,613 shares	\$27.55	\$8,442,879,689	\$2,110,720(3)
Preferred Stock Purchase Rights(4) .....	306,456,613 rights	(5)	(5)	(5)

(1)Represents the maximum number of shares of Common Stock issuable in connection with the merger described herein, including shares of Common Stock issuable prior to the merger as a contribution to a benefit plan and upon the exercise of vested options.

(2)Estimated in accordance with Rules 457(c) and 457(f)(1) under the Securities Act solely for the purpose of calculating the registration fee and based on the average of the high and low sale prices per share of Reliant Energy, Incorporated common stock on the New York Stock Exchange Composite Tape on November 2, 2001.

(3)A filing fee of \$2,231,375 was paid in connection with the initial filing of the registration statement on September 17, 2001. Accordingly, no additional fee is being paid by the registrant in connection with the registration of an additional 8,443,352 shares of Common Stock pursuant to this amendment.

(4)Each share of Common Stock to be registered includes one associated Preferred Stock Purchase Right.

(5)No separate consideration is payable for the Preferred Stock Purchase Rights. Therefore, the registration fee for such securities is included in the registration fee for the Common Stock.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

## EXPLANATORY NOTE

When this Registration Statement was originally filed on September 17, 2001, the name of the registrant was Reliant Energy Regco, Inc. On October 9, 2001, the registrant's corporate charter was amended to, among other things, change its name to CenterPoint Energy, Inc.

THE INFORMATION IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE SUBJECT TO CHANGE. WE MAY NOT ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS JOINT PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THESE ACTIVITIES ARE NOT PERMITTED.

SUBJECT TO COMPLETION, DATED NOVEMBER 5, 2001

(RELIANT ENERGY LOGO)

PROPOSED HOLDING COMPANY FORMATION -- YOUR VOTE IS VERY IMPORTANT

The board of directors of Reliant Energy, Incorporated has approved a restructuring in which Reliant Energy and its subsidiaries will become subsidiaries of a new holding company. This structure is designed to meet applicable regulatory requirements. To create the holding company, Reliant Energy will merge with an indirect wholly owned subsidiary. You are being asked to approve this merger, which is necessary to implement the holding company structure.

In the merger, each outstanding share of Reliant Energy common stock will be automatically converted into one share of common stock of CenterPoint Energy, Inc. Current holders of common stock of Reliant Energy will become shareholders of CenterPoint Energy, and CenterPoint Energy will indirectly own all of the common stock of Reliant Energy. The preferred stock of Reliant Energy will be redeemed prior to the special meeting.

We expect the CenterPoint Energy common stock will be listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "CEP."

The holding company formation cannot be completed without the approval of the merger by the holders of at least a majority of the outstanding shares of Reliant Energy's common stock. The board of directors of Reliant Energy unanimously recommends that the shareholders vote FOR approval of the merger required for the holding company formation. Regardless of the outcome of the vote, other aspects of the restructuring may proceed.

This document provides you with detailed information about the holding company formation and the special meeting. You can also obtain financial and other information about Reliant Energy from documents filed with the Securities and Exchange Commission. We encourage you to carefully read this entire document and the documents incorporated by reference.

The date, time and place of the special meeting are contained in the attached notice.

/s/ R. STEVE LETBETTER  
R. Steve Letbetter  
Chairman of the Board,

President and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SHARES TO BE ISSUED IN THE MERGER OR DETERMINED IF THIS JOINT PROXY STATEMENT/ PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/prospectus is dated November , 2001 and is first being mailed to shareholders on or about November , 2001.

(Reliant Energy Logo)

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Dear Shareholder:

You are cordially invited to attend a special meeting of the shareholders of Reliant Energy, Incorporated. The meeting will be held in the AUDITORIUM OF RELIANT ENERGY PLAZA, 1111 LOUISIANA, HOUSTON, TEXAS, at 2:00 p.m. Central time, on Monday, December 17, 2001. At the meeting, shareholders will be asked to approve the Agreement and Plan of Merger, dated as of October 19, 2001, attached as Annex A to the accompanying joint proxy statement/prospectus, pursuant to which CenterPoint Energy, Inc., a Texas corporation formed by Reliant Energy, will become the parent company of Reliant Energy and each share of Reliant Energy common stock will be automatically converted into one share of CenterPoint Energy common stock.

Holders of record of outstanding shares of Reliant Energy stock at the close of business on November 1, 2001 are entitled to receive notice of the meeting. However, only holders of record of shares of Reliant Energy common stock at the close of business on November 1, 2001 are entitled to vote at the meeting. Each share of common stock entitles the holder to one vote. Holders may vote by either attending the meeting or by proxy card. For specific voting information, please see "The Special Meeting" on page 8. EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD.

Sincerely,

/s/ HUGH RICE KELLY  
Hugh Rice Kelly

Executive Vice President,  
General Counsel and  
Corporate Secretary

November , 2001

THIS JOINT PROXY STATEMENT/PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE. SEE "WHERE YOU CAN FIND MORE INFORMATION" BEGINNING ON PAGE 30 FOR A LISTING OF DOCUMENTS INCORPORATED BY REFERENCE. RELIANT ENERGY DOCUMENTS ARE AVAILABLE TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER, UPON REQUEST DIRECTED TO RELIANT ENERGY, INCORPORATED, INVESTOR SERVICES DEPARTMENT, P.O. BOX 4505, HOUSTON, TEXAS 77210-4505, TELEPHONE (800) 231-6406 OR (713) 207-3060. TO ENSURE TIMELY DELIVERY OF THESE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY DECEMBER 10, 2001. THE EXHIBITS TO THESE DOCUMENTS WILL GENERALLY NOT BE MADE AVAILABLE UNLESS THEY ARE SPECIFICALLY INCORPORATED BY REFERENCE IN THIS JOINT PROXY STATEMENT/PROSPECTUS.

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#### QUESTIONS AND ANSWERS ABOUT THE HOLDING COMPANY FORMATION

The following questions and answers highlight selected information regarding the proposal to approve the merger required for the holding company formation. For a more complete discussion, you should carefully read this entire document, including the annexes and the other documents to which we have referred you in "Where You Can Find More Information" on page 30.

Q. WHAT IS BEING PROPOSED?

A. The board of directors is proposing the formation of a holding company through a merger. Reliant Energy has formed a new corporation, CenterPoint Energy, Inc., to become its holding company. The merger is the mechanical step necessary for Reliant Energy to become a subsidiary of the new holding company.

Q. WHY IS THE BOARD OF DIRECTORS PROPOSING A HOLDING COMPANY STRUCTURE?

A. Formation of a holding company is part of a corporate restructuring plan that is designed to meet applicable regulatory requirements.

Q. WHAT WILL HAPPEN TO MY SHARES OF COMMON STOCK AS A RESULT OF THE HOLDING COMPANY FORMATION?

A. Each of your shares of Reliant Energy common stock will be converted into one share of CenterPoint Energy common stock. Each share of CenterPoint Energy common stock will have an associated preferred share purchase right similar to the preference share purchase rights you have with your Reliant Energy common stock. We expect the CenterPoint Energy common stock will be listed, subject to official notice of issuance, on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "CEP."

\* \* \*

In this joint proxy statement/prospectus:

- references to "we" or "us" or other similar terms mean Reliant Energy prior to the merger and CenterPoint Energy after the merger; and

- we refer to the Agreement and Plan of Merger among Reliant Energy, CenterPoint Energy and Reliant Energy MergerCo, Inc. as the "merger agreement."

Q. WHAT WILL THE HOLDING COMPANY STRUCTURE LOOK LIKE?

A. The following charts summarize Reliant Energy's current corporate structure and the proposed corporate structure for the holding company:

#### CURRENT STRUCTURE

[FLOW CHART]

#### PROPOSED HOLDING COMPANY STRUCTURE

[FLOW CHART]

Q. WILL I HAVE DISSENTERS' RIGHTS?

A. Under Texas law, holders of Reliant Energy stock do not have dissenters' rights in connection with the holding company formation.

Q. WHO ELSE MUST APPROVE THE HOLDING COMPANY FORMATION?

A. The SEC must approve matters relating to the Public Utility Holding Company Act of 1935 in connection with the holding company formation. The holding company formation is also subject to approval by the Louisiana Public Service Commission, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

Q. WHEN DO YOU EXPECT THE HOLDING COMPANY FORMATION TO BE COMPLETED?

A. Our goal is to complete the holding company formation as quickly as possible after all the conditions, including obtaining the approval of the merger agreement by our shareholders at the special meeting and receiving favorable rulings from the IRS, are fulfilled. We currently expect to complete the holding company formation in the first quarter of 2002.

Q. IT SAYS ABOVE THAT THE HOLDING COMPANY FORMATION IS PART OF A RESTRUCTURING PLAN. WHAT ELSE IS INVOLVED IN THE PROPOSED RESTRUCTURING?

A. Reliant Energy has transferred a substantial portion of its unregulated businesses and its retail electric business to its subsidiary, Reliant Resources, Inc. In May 2001, Reliant Resources sold approximately 20% of its outstanding common stock in an initial public offering. Reliant Energy has announced its intention to distribute the remaining approximately 80% of the Reliant Resources stock to Reliant Energy's (or CenterPoint Energy's) shareholders, subject to receipt of a favorable IRS ruling and action by the board of directors. YOU ARE NOT BEING ASKED TO APPROVE THIS DISTRIBUTION OF RELIANT RESOURCES COMMON STOCK. SHAREHOLDER APPROVAL OF THE DISTRIBUTION IS NOT REQUIRED UNDER APPLICABLE LAW OR OTHERWISE.

Q. HOW WILL THE HOLDING COMPANY FORMATION AFFECT DIVIDENDS?

A. The holding company formation, taken by itself, will not affect the rate of dividends that shareholders receive from CenterPoint Energy as the successor to Reliant Energy. However, following the distribution of the common stock of Reliant Resources, CenterPoint Energy will not be as large a company as Reliant Energy is today, and the earnings of the subsidiaries and assets that were transferred to Reliant Resources will not be available for the payment of dividends on the CenterPoint Energy common stock. As a result, the cash dividends per share of CenterPoint Energy common stock are expected to be reduced to a level that is consistent with both its earnings profile and the level of cash dividends of other predominately regulated utility businesses. Future cash dividends will depend on the financial performance of CenterPoint Energy's subsidiaries, and on other factors as determined by CenterPoint Energy's board of directors in its discretion.

Q. WHAT DO I NEED TO DO TO VOTE?

A. The special meeting will take place on December 17, 2001. After carefully reading and considering the information contained in this document and the documents incorporated by reference, please indicate on the enclosed proxy card how you want to vote. Mail your signed proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting.

Q. WHAT VOTE DOES THE BOARD OF DIRECTORS RECOMMEND?

A. The board of directors unanimously recommends that shareholders vote FOR approval of the merger agreement.

Q. WHAT SHOULD I DO IF I WANT TO CHANGE MY VOTE?

- A. You can change your vote at any time before your proxy card is voted at the shareholder meeting. You can do this in one of three ways:
- you can send a written notice stating that you would like to revoke your proxy;
  - you can complete and submit a new proxy card; or
  - you can attend the meeting and vote in person.

However, your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the procedure provided by your broker to change those instructions.

Q. WHAT IF I PLAN TO ATTEND THE SHAREHOLDER MEETING IN PERSON?

- A. We recommend that you send in your proxy anyway. You may still attend the meeting and vote in person.

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Q. IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME WITHOUT MY INSTRUCTIONS?

- A. We recommend that you contact your broker. Your broker can give you directions on how to instruct the broker to vote your shares. Your broker may not be able to vote your shares unless the broker receives appropriate instructions from you.

Q. SHOULD I SEND IN MY SHARE CERTIFICATES?

- A. No. After the completion of the holding company formation, the Reliant Energy common stock certificates will automatically represent the same number of shares of CenterPoint Energy common stock. New certificates bearing the name of CenterPoint Energy will be issued after the holding company formation, if and as certificates representing shares of Reliant Energy common stock are presented for exchange or transfer.

Q. WHOM DO I CALL IF I HAVE QUESTIONS ABOUT THE MEETING OR THE HOLDING COMPANY FORMATION?

- A. Reliant Energy, Incorporated

Investor Services Department

P.O. Box 4505

Houston, Texas 77210-4505

Phone: (800) 231-6406 or

(713) 207-3060

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#### SUMMARY

This summary highlights selected information from this document. To understand the holding company formation proposal fully and for a more complete description of the legal terms of the related merger agreement, you should



carefully read this entire document, including the annexes and the other documents to which we have referred you in "Where You Can Find More Information" on page 30.

#### THE SPECIAL MEETING

DATE, TIME AND PLACE OF THE SPECIAL MEETING.....	The meeting will be held on December 17, 2001 at 2:00 p.m. Central time, at the auditorium of Reliant Energy Plaza, 1111 Louisiana, Houston, Texas.
MATTER FOR CONSIDERATION AT THE SPECIAL MEETING.....	At the special meeting, shareholders will be asked to approve the merger agreement that provides for the holding company formation.
RECORD DATE.....	Only holders of record of Reliant Energy common stock at the close of business on November 1, 2001 are entitled to vote at the meeting. On that date, there were 298,144,922 shares of Reliant Energy common stock outstanding. Holders of common stock are entitled to one vote for each share held.
VOTE REQUIRED.....	Approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of common stock.
DISSENTER'S RIGHTS.....	Under Texas law, shareholders will not be entitled to dissenters' rights in connection with the holding company formation.

#### THE COMPANIES

RELIANT ENERGY, INCORPORATED 1111 LOUISIANA HOUSTON, TEXAS 77002 (713) 207-3000.....	Reliant Energy is a diversified international energy services and energy delivery company. After the holding company formation, Reliant Energy will transfer certain assets and the stock of certain of its subsidiaries to CenterPoint Energy or subsidiaries of CenterPoint Energy. As an indirect wholly owned subsidiary of CenterPoint Energy, Reliant Energy will become a limited liability company engaged solely in the transmission and distribution of electric energy under the name CenterPoint Energy Houston Electric, LLC.
CENTERPOINT ENERGY, INC. 1111 LOUISIANA HOUSTON, TEXAS 77002 (713) 207-3000.....	CenterPoint Energy is a newly formed corporation that has not, to date, conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this joint proxy statement/prospectus.

## THE HOLDING COMPANY FORMATION

### BACKGROUND AND REASONS FOR THE HOLDING COMPANY FORMATION.....

In June 1999, the Texas Electric Choice Plan was signed into law. The law requires, among other things, the separation of the generation, transmission and distribution and retail functions of electric utilities in Texas into three different units. In order to comply with the law, Reliant Energy proposed, and the Public Utility Commission of Texas approved, a restructuring which would separate Reliant Energy's operations into two publicly traded corporations. The holding company formation through the merger is an integral part of this restructuring.

### USE OF THE MERGER TO FORM THE HOLDING COMPANY.....

As a mechanical means of forming the holding company, Reliant Energy will merge with Reliant Energy MergerCo, Inc., an indirect wholly owned subsidiary of CenterPoint Energy. As the survivor of the merger, Reliant Energy will become an indirect wholly owned subsidiary of CenterPoint Energy. Immediately after the merger, Reliant Energy will be converted into a Texas limited liability company and its name will become CenterPoint Energy Houston Electric, LLC.

### TREATMENT OF RELIANT ENERGY COMMON STOCK.....

Pursuant to the merger agreement, each share of Reliant Energy common stock outstanding immediately prior to the effective time will be converted into one share of CenterPoint Energy common stock.

### TREATMENT OF RELIANT ENERGY PREFERRED STOCK.....

We will redeem the outstanding shares of Reliant Energy preferred stock prior to the special meeting.

### CENTERPOINT ENERGY BOARD OF DIRECTORS.....

Pursuant to the merger agreement, the directors of Reliant Energy will be elected as directors of CenterPoint Energy.

### CLOSING.....

The holding company formation will occur as promptly as practicable after all of the conditions contained in the merger agreement have been satisfied or waived or on such other date as CenterPoint Energy and Reliant Energy mutually agree.

### COMPARISON OF SHAREHOLDER RIGHTS.....

Holders of Reliant Energy common stock will become holders of CenterPoint Energy common stock. The terms and provisions of CenterPoint Energy common stock are similar to those of Reliant Energy common stock. See "Comparison of Rights of CenterPoint Energy and Reliant Energy Shareholders."

FEDERAL INCOME TAX

CONSEQUENCES.....

Reliant Energy expects to receive an opinion from Baker Botts L.L.P. that no gain or loss will be recognized by Reliant Energy or its shareholders as a result of the holding company formation. The holders of Reliant Energy common stock will have the same aggregate basis in the shares of CenterPoint Energy common stock received in the merger that they had in the Reliant Energy common stock surrendered in the merger. See "Proposal to Approve the Holding Company Formation -- Federal Income Tax Consequences."

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LISTING OF COMMON STOCK.....

We have applied to have the CenterPoint Energy common stock listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "CEP."

CONDITIONS.....

The holding company formation through the merger is subject to, among other things:

- approval by the holders of at least a majority of the outstanding shares of Reliant Energy common stock,
- the receipt of an opinion from our counsel to the effect that none of CenterPoint Energy, Reliant Energy and the Reliant Energy shareholders will recognize taxable gain or loss as a result of the consummation of the holding company formation,
- the receipt of various regulatory approvals,
- the redemption of the outstanding shares of preferred stock of Reliant Energy,
- the receipt of favorable rulings from the IRS regarding aspects of the restructuring, and
- the absence of any condition that causes Reliant Energy's board of directors to conclude that the holding company formation is not in the best interests of Reliant Energy or its shareholders.

See "Proposal to Approve the Holding Company Formation -- Regulatory Approvals Required" and "-- Other Conditions; Termination."

REGULATORY MATTERS.....

The SEC must approve matters relating to the Public Utility Holding Company Act of 1935 in connection with the holding company formation. Approvals from the Louisiana Public Service Commission, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission are also required.

BOARD RECOMMENDATION..... The board of directors of Reliant Energy believes that the holding company formation in accordance with the terms of the merger agreement is fair to and in the best interests of the shareholders of Reliant Energy and has unanimously approved the merger agreement. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE MERGER AGREEMENT.

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#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This joint proxy statement/prospectus, including the information we incorporate by reference, contains statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, you can identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expects," "intend," "may," "plan," "potential," "predict," "should," "will," "forecast," "goal," "objective," "projection" or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following list identifies some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements:

- state, federal and international legislative and regulatory developments, including deregulation; re-regulation and restructuring of the electric utility industry; and changes in, or application of environmental and other laws and regulations to which we are subject,
- approval and timing of the implementation of our business separation plan,
- the effects of competition, including the extent and timing of the entry of additional competitors in our markets,
- industrial, commercial and residential growth in our service territories,
- our pursuit of potential business strategies, including acquisitions or dispositions of assets or the development of additional power generation facilities,
- state, federal and other rate regulations in the United States and in foreign countries in which we operate or into which we might expand our operations,
- the timing and extent of changes in commodity prices and interest rates,
- weather variations and other natural phenomena,
- political, legal and economic conditions and developments in the United States and in foreign countries in which we operate or into which we might expand our operations, including the effects of fluctuations in foreign currency exchange rates,
- financial market conditions and the results of our financing efforts,
- the performance of our projects, and
- other factors we discuss in this joint proxy statement/prospectus and our filings with the SEC.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular

statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

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#### THE SPECIAL MEETING

Reliant Energy is furnishing this joint proxy statement/prospectus to its shareholders in connection with the solicitation of proxies by Reliant Energy's board of directors for use at the special meeting. Reliant Energy is first mailing this joint proxy statement/prospectus and accompanying form of proxy to its shareholders beginning on or about November , 2001.

#### TIME, DATE AND PLACE

The special meeting of Reliant Energy's shareholders will be held on December 17, 2001, at 2:00 p.m. Central time, at the auditorium of Reliant Energy Plaza, 1111 Louisiana, Houston, Texas 77002.

#### MATTER FOR CONSIDERATION AT THE SPECIAL MEETING

At the meeting, Reliant Energy's board of directors will ask the shareholders to vote to approve the Agreement and Plan of Merger, dated as of October 19, 2001 attached as Annex A, pursuant to which CenterPoint Energy will become the parent company of Reliant Energy and each outstanding share of Reliant Energy common stock will be automatically converted into one share of CenterPoint Energy common stock.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL.

#### RECORD DATE; VOTING RIGHTS; VOTE REQUIRED FOR APPROVAL

The Reliant Energy board has fixed the close of business on November 1, 2001 as the record date for the special meeting. Holders of record of outstanding shares of Reliant Energy stock at the close of business on the record date are entitled to receive notice of the meeting. However, only holders of record of Reliant Energy common stock at the close of business on the record date are entitled to vote at the meeting.

On the record date for the special meeting, approximately 298 million shares of common stock were outstanding which were held by approximately 73,384 holders of record. Each holder of Reliant Energy common stock is entitled to one vote for each share held on the record date.

The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Reliant Energy common stock is necessary to constitute a quorum at the special meeting. In order to carry on the business of the meeting, we must have a quorum. Abstentions, proxies returned without instructions and broker non-votes will count in the determination of shares present at the meeting for purposes of determining the presence of a quorum. The affirmative vote of the holders of a majority of the outstanding shares of Reliant Energy common stock is required to approve the merger agreement.

The directors and executive officers of Reliant Energy have indicated that they intend to vote their shares in favor of the proposal. On the record date, directors and executive officers of Reliant Energy and their affiliates beneficially owned less than one percent of the outstanding common shares.

#### PROXIES

Your vote is important. You may vote in person at the meeting or by proxy.

We recommend you vote by proxy even if you plan to attend the meeting. You may always change your vote at the meeting. Giving us your proxy means that you authorize us to vote your shares at the meeting in the manner you indicated on your proxy card. You may vote for or against the proposal or abstain from voting. All shares of Reliant Energy common stock represented by properly executed proxies received at or prior to the special meeting and not revoked will be voted in accordance with the instructions indicated in those proxies.

A properly executed proxy that is returned without instructions as to the vote desired on the proposal will be voted FOR the proposal.

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Under New York Stock Exchange rules, brokers who hold shares in street name for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for "non-routine" matters. Proxies submitted by brokers without instructions from customers for these non-routine matters are referred to as "broker non-votes." The proposal to approve the holding company formation is a non-routine matter under NYSE rules. Abstentions and broker non-votes will have the effect of a vote against the proposal.

Reliant Energy's shareholders may use the accompanying proxy card if they are unable or do not wish to attend the special meeting in person or if they wish to have their shares voted by proxy even though they do attend the meeting. Reliant Energy's shareholders may revoke a proxy before it is voted by:

- delivering to Hugh Rice Kelly, Corporate Secretary of Reliant Energy, at 1111 Louisiana, Houston, Texas 77002, before or at the meeting, a written notice revoking their proxy,
- delivering a later-dated, executed proxy card relating to the same shares, or
- attending the meeting, notifying the Secretary and voting by ballot in person; however, if a Reliant Energy shareholder attends the meeting but does not vote in person, that shareholder's proxy will still be voted.

If you plan to attend the meeting and your shares are held by banks, brokers or investment plans (in "street name"), you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from your broker or bank are examples of proof of ownership.

Reliant Energy will pay the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus and all other costs of solicitation of proxies. In addition to solicitation by mail, Reliant Energy will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to beneficial owners, and Reliant Energy will, upon request, reimburse those brokerage houses and custodians for their reasonable related expenses. Reliant Energy has retained Morrow & Co. for a fee of \$20,000, plus expenses, to aid in the solicitation of proxies and to verify certain records related to the solicitations. To the extent necessary in order to ensure sufficient representation at its special meeting, Reliant Energy or its proxy solicitor may request the return of proxy cards by personal interview, mail, telephone, facsimile or other means of electronic transmission. The extent to which this will be necessary depends upon how promptly proxy cards are returned. Reliant Energy urges its shareholders to send in their proxies without delay.

Shareholders should not send in any stock certificates with their proxy cards.

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PROPOSAL TO APPROVE THE HOLDING COMPANY FORMATION

THE COMPANIES

## RELIANT ENERGY, INCORPORATED

Reliant Energy is a diversified international energy services and energy delivery company that provides energy and energy services in North America and Europe. Reliant Energy operates one of the nation's largest electric utilities in terms of kilowatt-hour sales, and its three natural gas distribution divisions together form one of the United States' largest natural gas distribution operations in terms of customers served. Reliant Energy invests in the acquisition, development and operation of domestic and international non-rate regulated power generation facilities. Reliant Energy owns two interstate natural gas pipelines that provide gas transportation, supply, gathering and storage services, and it also engages in wholesale energy marketing and trading.

## CENTERPOINT ENERGY, INC.

CenterPoint Energy is a direct wholly owned subsidiary of Reliant Energy. CenterPoint Energy was incorporated in Texas in August 2001 for purposes of implementing the holding company structure. Upon completion of the holding company formation, Reliant Energy will become an indirect subsidiary of CenterPoint Energy and will transfer certain assets and the stock of certain of its subsidiaries to CenterPoint Energy or subsidiaries of CenterPoint Energy. CenterPoint Energy has not, to date, conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this joint proxy statement/prospectus.

## RELIANT ENERGY MERGERCO, INC.

MergerCo is an indirect wholly owned subsidiary of CenterPoint Energy. MergerCo was incorporated in Texas in September 2001 for purposes of implementing the holding company structure. MergerCo engages in no other business.

## BACKGROUND

In 1999, Texas enacted the Texas Electric Choice Plan (the "Texas Electric Restructuring Law") which substantially amended the regulatory structure governing electric utilities in Texas in order to allow retail competition for all customers beginning in January 2002. The Texas Electric Restructuring Law requires the separation of the generation, transmission and distribution and retail functions of electric utilities into three different units. It also requires each electric utility to file a business separation plan detailing its plan to comply with the Texas Electric Restructuring Law. Under the law, neither the generation function nor the retail function will be subject to traditional cost of service regulation, and the retail function will be opened to competition. The transmission and distribution function will remain subject to traditional utility rate regulation.

On January 10, 2000, Reliant Energy filed its business separation plan with the Public Utility Commission of Texas (the "Texas Utility Commission"). The original business separation plan contemplated the separation of Reliant Energy into three unincorporated divisions of Reliant Energy:

- a power generation company,
- a transmission and distribution utility and
- a retail electric provider.

Following discussions with the staff of the Texas Utility Commission and other parties participating in the proceeding on Reliant Energy's business separation plan, Reliant Energy filed Amendment No. 1 to its business separation plan on March 27, 2000. Amendment No. 1 contemplated the creation of new first or second tier corporate subsidiaries of Reliant Energy for the power generation company and the retail

electric provider. Amendment No. 1 also called for the transmission and distribution utility to remain part of the parent, Reliant Energy, as an unincorporated division.

At a public meeting on May 31, 2000, the Texas Utility Commission declined to approve Amendment No. 1 and indicated its preference for an eventual restructuring of Reliant Energy that would place the power generation company, the transmission and distribution utility and the retail electric provider in separate corporate entities with no intercompany debt being owed to the transmission and distribution utility.

On July 11, 2000, the Reliant Energy board of directors met and received a report from its management and its financial advisor, Goldman, Sachs & Co., regarding the possible separation of Reliant Energy into two publicly traded corporations and the regulatory and business implications of a separation. At that meeting, the board of directors approved a restructuring plan including such a separation.

On August 9, 2000, Reliant Energy filed Amendment No. 2 to its business separation plan. Amendment No. 2 contemplated the separation of Reliant Energy into two publicly traded corporations. One corporation, CenterPoint Energy, would hold the electric transmission and distribution utility, the local gas distribution companies (Arkla, Entex, and Minnegasco), some non-rate regulated gas marketing operations, the interstate gas pipeline operations and the natural gas gathering pipeline services businesses, and, at least initially, the power generation company owning the Texas generating assets that were previously part of the integrated utility's operations. CenterPoint Energy would also hold limited unregulated domestic assets, including Northwind Houston L.P. and Reliant Energy Thermal Systems, and, until their disposition is complete, Reliant Energy's Latin American assets. The second corporation, Reliant Resources, would hold substantially all of Reliant Energy's unregulated domestic and European businesses and its retail electric sales operations. In addition, Reliant Resources would have the option to purchase the power generation company in January 2004. Under Amendment No. 2, Reliant Energy proposed to separate Reliant Resources and CenterPoint Energy in a series of steps:

- Reliant Resources would conduct an initial public offering of approximately 20% of its common stock;
- Reliant Energy would restructure its regulated business and certain of its non-rate regulated businesses in order to cause CenterPoint Energy to become the parent entity for Reliant Energy, Reliant Energy Resources Corp., Reliant Resources and Reliant Energy's other subsidiaries that were not transferred to Reliant Resources;
- Reliant Energy would convey its Texas electric generation assets to an indirect wholly owned subsidiary of CenterPoint Energy, Texas Genco, LP; and
- CenterPoint Energy would distribute its remaining ownership interest in Reliant Resources to its shareholders, subject to receipt of a favorable IRS ruling, other regulatory approvals and approval by its board of directors.

On September 6, 2000, the Reliant Energy board of directors met and reviewed the status of the Texas Utility Commission's consideration of its business separation plan. At the conclusion of the meeting, the board of directors approved the implementation of the restructuring as described in Amendment No. 2 to its business separation plan.

On October 17, 2000, Reliant Resources filed a registration statement with the SEC to register the sale of approximately 20% of its common stock to be issued in its initial public offering.



On November 8, 2000, a hearing was held before the Texas Utility Commission on Amendment No. 2 to Reliant Energy's business separation plan.

At a public meeting on December 1, 2000, the Texas Utility Commission approved Reliant Energy's business separation plan with certain modifications.

In preparation for the separation, Reliant Energy and Reliant Resources entered into a number of agreements defining the relationships of the parties throughout the separation process.

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On December 31, 2000, Reliant Energy transferred a substantial portion of its currently unregulated domestic and European businesses, including its retail electric sales operations, to Reliant Resources.

On April 10, 2001, the Texas Utility Commission filed a written order approving Reliant Energy's business separation plan. In response to a motion for rehearing of the April 10, 2001 written order, the Texas Utility Commission filed an amended order on May 29, 2001, which order has since become final.

In May 2001, Reliant Resources completed the initial public offering of approximately 20% of its common stock.

On September 5, 2001, the Reliant Energy board of directors authorized and approved the holding company formation and related merger agreement, subject to, among other things, approval by the Reliant Energy shareholders, as part of the restructuring described in the business separation plan as approved by the Texas Utility Commission.

On October 15, 2001, Reliant Energy filed an update to its business separation plan with the Texas Utility Commission indicating that full implementation of the business separation plan could not be accomplished until all regulatory approvals had been received.

#### REASONS FOR THE HOLDING COMPANY FORMATION

The holding company formation is an integral part of Reliant Energy's business separation plan which has been approved by the Texas Utility Commission. Reliant Energy's board of directors has determined that the holding company formation in accordance with the terms of the merger agreement is advisable and in the best interests of Reliant Energy's shareholders and has approved the merger agreement. In reaching its conclusion to approve the holding company formation and related merger agreement and to recommend that shareholders vote to approve the merger agreement, Reliant Energy's board of directors determined that a holding company structure would satisfy the requirements of the Texas Electric Restructuring Law and would provide more financial, managerial and organizational flexibility.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS

FOR THE REASONS DISCUSSED ABOVE, THE BOARD OF DIRECTORS RECOMMENDS THAT RELIANT ENERGY SHAREHOLDERS VOTE FOR APPROVAL OF THE MERGER AGREEMENT.

#### MANNER OF EFFECTING THE HOLDING COMPANY FORMATION; MERGER AGREEMENT

Reliant Energy recently formed CenterPoint Energy as a Texas corporation and a wholly owned subsidiary. CenterPoint Energy has a nominal amount of stock outstanding and no present business or properties of its own. CenterPoint Energy and Reliant Energy have entered into the merger agreement attached as Annex A and incorporated into this document by reference.

CenterPoint Energy has formed a new wholly owned subsidiary named Utility Holding LLC as a Delaware limited liability company. Utility Holding LLC has formed a new wholly owned subsidiary named MergerCo as a Texas corporation. Subject to the approval of the shareholders of Reliant Energy, MergerCo will merge with and into Reliant Energy. As a result of the merger:

- Reliant Energy will become an indirect subsidiary of CenterPoint Energy, and CenterPoint Energy will become the holding company for the Reliant Energy group of companies;
- each outstanding share of Reliant Energy common stock will be converted automatically into one new share of CenterPoint Energy common stock; and
- the shares of CenterPoint Energy common stock held by Reliant Energy will be canceled.

The rights and interests of the former Reliant Energy shareholders as holders of the CenterPoint Energy common stock will be governed by CenterPoint Energy's articles of incorporation and bylaws which are attached as Annex B and Annex C, respectively. See "Comparison of Rights of CenterPoint Energy and Reliant Energy Shareholders."

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In addition, prior to the holding company formation CenterPoint Energy will enter into a rights agreement which will provide the CenterPoint Energy shareholders with rights similar to the preference share purchase rights attached to the Reliant Energy common stock. The rights will be attached to the CenterPoint Energy common stock and will be exercisable for a series of preferred stock of CenterPoint Energy having designations, rights, powers and preferences, and qualifications, limitations and restrictions substantially similar to those of the Reliant Energy Series A Preference Stock.

The Reliant Energy board of directors may terminate the merger agreement and abandon the holding company formation at any time before or after approval by the shareholders if the board determines, in its sole judgment, that the holding company formation would, for any reason, be inadvisable or not be in the best interest of Reliant Energy or its shareholders.

#### FEDERAL INCOME TAX CONSEQUENCES

This section summarizes the material federal income tax consequences of the holding company formation through the merger. This summary is based on current law, which is subject to change at any time, possibly with retroactive effect. This summary is not a complete description of all tax consequences and, in particular, may not address federal income tax consequences applicable to holders of Reliant Energy or CenterPoint Energy common stock who are subject to special treatment under federal income tax law.

We expect to receive the opinion of Baker Botts L.L.P., counsel to Reliant Energy, that the holding company formation will qualify as a reorganization described in Section 368 of the Internal Revenue Code of 1986 (the "Code"), and consequently:

- no gain or loss will be recognized by Reliant Energy or CenterPoint Energy upon consummation of the holding company formation;
- no gain or loss will be recognized by a holder of Reliant Energy common stock upon the exchange of such Reliant Energy common stock for CenterPoint Energy common stock in the merger;
- the aggregate basis of the shares of CenterPoint Energy common stock

received by a holder of Reliant Energy common stock in the merger will be the same as the aggregate basis of the shares of Reliant Energy common stock surrendered in the merger; and

- the holding period of the shares of CenterPoint Energy common stock received by a holder of Reliant Energy common stock in the merger will include the holding period of the shares of Reliant Energy common stock surrendered in the merger, if the shares of Reliant Energy common stock are held as capital assets at the effective time of the merger.

Reliant Energy expects to receive a tax opinion of Baker Botts L.L.P. substantially to this effect as of the closing date. The opinion of Baker Botts L.L.P. to be given as of the closing date will be based upon customary assumptions and representations. Baker Botts L.L.P.'s opinion will represent its best legal judgment and is not binding on the Internal Revenue Service or any court. If the merger does not qualify as a reorganization described in Section 368 of the Code or as a transaction described in Section 351(a) of the Code, the exchange of stock in the merger will be taxable to holders of Reliant Energy common stock.

THE FOREGOING SUMMARY OF THE ANTICIPATED PRINCIPAL FEDERAL INCOME TAX CONSEQUENCES OF THE HOLDING COMPANY FORMATION THROUGH THE MERGER UNDER CURRENT LAW IS FOR GENERAL INFORMATION ONLY AND DOES NOT PURPORT TO COVER ALL FEDERAL INCOME TAX CONSEQUENCES (INCLUDING THOSE THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS) OR ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OF OTHER JURISDICTIONS. WE HAVE NOT REQUESTED ANY RULINGS OR OPINIONS WITH RESPECT TO THE TAX CONSEQUENCES OF THE HOLDING COMPANY FORMATION THROUGH THE MERGER UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN GOVERNMENT. EACH HOLDER (INCLUDING EACH CORPORATE HOLDER) OF RELIANT ENERGY COMMON STOCK SHOULD CONSULT HIS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THIS TRANSACTION, INCLUDING APPLICATION OF FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS, AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.

#### TREATMENT OF INDEBTEDNESS

In connection with the holding company formation, CenterPoint Energy will expressly assume all of Reliant Energy's obligations under, and become the primary obligor with respect to, the following indebtedness issued by Reliant Energy:

- \$1 billion of 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029,
- \$100 million of 7.875% Debentures,
- \$250 million of medium-term notes with interest rates ranging from 6.5% to 8.15%,
- the junior subordinated debentures related to and Reliant Energy's guarantees of \$375 million of 7.20% trust preferred securities, \$250 million of 8.125% trust preferred securities and \$100 million of 8.257% capital securities, and
- Reliant Energy's installment payment obligations relating to \$1.4 billion of pollution control bonds issued by various governmental authorities on behalf of Reliant Energy.

The terms of the above indebtedness require this assumption in connection with the transfer of assets from Reliant Energy to CenterPoint Energy following the holding company formation. CenterPoint Energy will not assume or become an obligor with respect to approximately \$1.26 billion of first mortgage bonds issued by Reliant Energy, which will remain obligations of the limited liability

company that Reliant Energy will convert into after the merger.

#### TREATMENT OF PREFERRED STOCK

Reliant Energy has 97,397 shares of preferred stock outstanding, designated as \$4 Preferred Stock, which will be redeemed prior to the special meeting at an aggregate redemption price of approximately \$10.2 million plus accrued and unpaid dividends to the date fixed for redemption. Accordingly, the holders of Reliant Energy preferred stock will not be entitled to vote at the special meeting.

#### TREATMENT OF PREFERENCE STOCK

Reliant Energy has issued shares of preference stock that are held by certain of its wholly owned subsidiaries in connection with credit agreements between the subsidiaries and various lenders. The shares are not treated as outstanding for accounting purposes and are not entitled to vote at the special meeting. These shares of Reliant Energy preference stock will not be affected by the merger. The conversion of Reliant Energy to a limited liability company immediately after the merger, however, will result in the conversion of the Reliant Energy preference stock into preferred equity interests in the limited liability company. Neither the holding company structure nor this conversion will change the rights of holders of the outstanding shares of Reliant Energy preference stock. The preferred interests will rank senior to the common equity interests of the limited liability company as to dividends and as to the distribution of Reliant Energy's assets upon any liquidation.

#### DISSENTERS' RIGHTS

Under Texas law, holders of Reliant Energy stock are not entitled to dissenters' rights in connection with the holding company formation.

#### REGULATORY APPROVALS REQUIRED

SEVERAL REGULATORY APPROVALS MUST BE OBTAINED PRIOR TO THE HOLDING COMPANY FORMATION. RELIANT ENERGY HAS FILED OR WILL FILE ALL APPLICATIONS AND NOTICES AND TAKE OTHER APPLICABLE ACTION WITH RESPECT TO THESE APPROVALS AND OTHER REQUIRED ACTION OF ANY GOVERNMENTAL AUTHORITY. WE BELIEVE THAT WE WILL RECEIVE THE REQUISITE REGULATORY APPROVALS AND CLEARANCES THAT ARE SUMMARIZED BELOW. WE CANNOT GIVE ANY ASSURANCE REGARDING THE TIMING OF THE REQUIRED APPROVALS OR CLEARANCES OR OUR ABILITY TO OBTAIN THE

REQUIRED APPROVALS AND CLEARANCES ON SATISFACTORY TERMS, NOR CAN WE ASSURE YOU THAT NO ACTION WILL BE BROUGHT CHALLENGING THE HOLDING COMPANY FORMATION OR THE GOVERNMENTAL APPROVALS OR OTHER ACTIONS.

Public Utility Holding Company Act of 1935. Reliant Energy is both a holding company and an electric utility as defined under the 1935 Act. Subject to limited exceptions, Reliant Energy is currently exempt from regulation as a holding company under Section 3(a)(2) of the 1935 Act. However, the 1935 Act requires Reliant Energy to obtain approval from the SEC with regard to some aspects of the holding company structure. Upon completion of the holding company formation, CenterPoint Energy will not be entitled to the exemption under Section 3(a)(2), because that exemption is not available to a holding company unless the holding company is primarily an operating utility company. Accordingly, CenterPoint Energy has applied for exemption from regulation as a holding company under Section 3(a)(1) of the 1935 Act, which is available to a holding company if each of its material public utility company subsidiaries is predominantly intrastate in character and carries on its business in the state where the holding company and its material public utility company subsidiaries are organized. In order to satisfy requirements for maintaining this exemption, CenterPoint Energy has committed to the SEC that it will, within two years after the SEC's exemption order, separate its three gas distribution divisions into three separate corporate entities. Separation of those businesses will require additional regulatory approvals from the state utility regulators in five of the six states where Reliant Energy currently operates gas distribution businesses.

Atomic Energy Act. A provision in the Atomic Energy Act requires Nuclear Regulatory Commission consent for the transfer of control of NRC licenses. The NRC Staff has in the past asserted that this provision applies to the creation of a holding company over an NRC-licensed utility company. Reliant Energy has filed an application for NRC approval under the Atomic Energy Act for the transfer of control of its nuclear plant licenses that will result from the holding company formation and the transfer of its nuclear generating assets to another subsidiary of CenterPoint Energy.

Federal Power Act. The Federal Energy Regulatory Commission has held that the transfer of common stock of a public utility company, such as Reliant Energy, from its existing shareholders to a holding company constitutes a transfer of the "control" of the facilities of the utility, and is thus a "disposition of facilities" subject to FERC review and approval under Section 203 of the Federal Power Act. Reliant Energy has filed an application with the FERC seeking the necessary approvals for the formation of its holding company.

State Utility Commissions. Reliant Energy's business separation plan has been approved by the Texas Utility Commission. Since we may not receive necessary regulatory approvals prior to January 1, 2002, the date contemplated in that approval, Reliant Energy filed an update to its business separation plan with the Texas Utility Commission on October 15, 2001 indicating that full implementation of the business separation plan could not be accomplished until all approvals had been received. Some of the gas utility operations of Reliant Energy are subject to the jurisdiction of the Louisiana Public Service Commission, which must approve the transfer of the control of these operations to CenterPoint Energy in the holding company formation. Reliant Energy will file an application with the Louisiana Public Service Commission seeking the necessary approvals.

#### OTHER CONDITIONS; TERMINATION

Besides approval by Reliant Energy's shareholders, the holding company formation through the merger is subject to the satisfaction of the following conditions:

- shares of CenterPoint Energy common stock to be issued in connection with the merger will have been listed, subject to official notice of issuance, by the New York Stock Exchange and the Chicago Stock Exchange;
- an opinion will have been received from our counsel to the effect that none of CenterPoint Energy, Reliant Energy and the Reliant Energy shareholders will recognize taxable gain or loss as a result of the consummation of the holding company formation;

- all necessary orders, authorizations, approvals or waivers from regulatory bodies, boards or agencies will have been received, remain in full force and effect, and do not include, in the sole judgment of the board of directors of Reliant Energy, unacceptable conditions;
- the outstanding shares of preferred stock of Reliant Energy will have been redeemed;
- a favorable ruling will have been received from the IRS that CenterPoint Energy's proposed distribution of the stock of Reliant Resources will be tax-free to CenterPoint Energy and its shareholders; and

- a favorable ruling will have been received from the IRS that the formation of the holding company and the distribution of the stock of Reliant Resources will not negatively impact the tax treatment of Reliant Energy's nuclear decommissioning trusts.

Following satisfaction of these conditions and the filing of articles of merger with the Secretary of State of the State of Texas, the merger will become effective upon the issuance of a certificate of merger by the Secretary of State of the State of Texas. The holding company formation will be complete upon the effectiveness of the merger. Our goal is to complete the holding company formation as quickly as practicable following approval by the shareholders and the satisfaction of the other conditions to the holding company formation.

The boards of directors of Reliant Energy and CenterPoint Energy may amend any of the terms of the merger agreement at any time before or after its approval by the holders of Reliant Energy common stock and prior to the effective time, but no amendment of the merger agreement may, in the sole judgment of the board of directors of Reliant Energy and CenterPoint Energy, materially and adversely affect the rights of Reliant Energy's shareholders.

The Reliant Energy board of directors may terminate the merger agreement and abandon the holding company formation at any time before or after approval by the shareholders if the board determines, in its sole judgment, that consummation would, for any reason, be inadvisable or not be in the best interest of Reliant Energy or its shareholders.

#### EXCHANGE OF STOCK CERTIFICATES

It will not be necessary for holders of Reliant Energy common stock to physically exchange their existing stock certificates for certificates of CenterPoint Energy common stock. The certificates that represent shares of Reliant Energy common stock outstanding immediately prior to the holding company formation will automatically represent an equal number of shares of CenterPoint Energy common stock immediately after the holding company formation and will no longer represent Reliant Energy common stock. New certificates bearing the name of CenterPoint Energy will be issued after the holding company formation, if and as certificates representing shares of Reliant Energy common stock are presented for exchange or transfer.

#### STOCK EXCHANGE LISTING AND TRADING

CenterPoint Energy has applied to have its common stock listed on the New York Stock Exchange and the Chicago Stock Exchange. We expect these listings to become effective at the effective time of the merger. CenterPoint Energy expects its common stock to trade under the ticker symbol "CEP" on both the New York Stock Exchange and the Chicago Stock Exchange. Following the merger, Reliant Energy common stock will no longer trade and will be delisted and no longer registered pursuant to Section 12 of the Securities Exchange Act of 1934.

#### TRANSFER AGENT AND REGISTRAR

Our shareholder services division will be the transfer agent and registrar for the CenterPoint Energy common stock.

#### CENTERPOINT ENERGY DIVIDEND POLICY

The declaration and payment of future dividends by CenterPoint Energy will be at the discretion of its board of directors. Since CenterPoint Energy will

not directly conduct any business operations from which it will derive revenues, the payment and rate of future dividends on CenterPoint Energy common stock will depend primarily upon the earnings, financial condition and capital requirements of its subsidiaries. Following the distribution of the common stock of Reliant Resources, CenterPoint Energy will not be as large a company as Reliant Energy is today, and the earnings of the subsidiaries and assets that were transferred to Reliant Resources will not be available for the payment of dividends on the CenterPoint Energy common stock. As a result, the cash dividends per share of CenterPoint Energy common stock are expected to be reduced to a level that is consistent with both its earnings profile and the level of cash dividends of other predominately regulated utility businesses.

Subject to the availability of earnings, the needs of its businesses, and other applicable restrictions, Reliant Energy and certain of its former subsidiaries intend to make regular cash payments to CenterPoint Energy in the form of dividends or distributions on their stock or membership interests in amounts which would be sufficient to pay cash dividends on CenterPoint Energy common stock as described above and to pay operating expenses of CenterPoint Energy and for other purposes as the board of directors of CenterPoint Energy may determine. CenterPoint Energy expects that cash dividends will be declared and paid on approximately the same schedule of dates as that now followed by Reliant Energy with respect to Reliant Energy common stock dividends.

#### INVESTOR'S CHOICE PLAN

As part of the holding company formation, CenterPoint Energy will assume the Reliant Energy, Incorporated Investor's Choice Plan. Shares of Reliant Energy common stock held in the plan, including uncertificated whole and fractional shares, will automatically become a like number of shares of CenterPoint Energy common stock.

#### STOCK BASED EMPLOYEE BENEFIT PLANS

Reliant Energy currently maintains the following stock-related employee plans: the Reliant Energy, Incorporated Savings Plan, the Houston Industries Incorporated Long-Term Incentive Compensation Plan, the 1994 Houston Industries Long-Term Incentive Compensation Plan, the Long-Term Incentive Plan of Reliant Energy, Incorporated, the Reliant Energy, Incorporated Business Unit Performance Share Plan, the Reliant Energy, Incorporated and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees, the NorAm Energy Corp. 1994 Incentive Equity Plan, the Reliant Energy, Incorporated Supplemental Stock Plan for Outside Directors, the Houston Industries Incorporated Stock Benefit Plan and the Houston Industries Incorporated Stock Plan for Outside Directors (collectively, the "Stock Based Plans").

As part of the holding company formation, CenterPoint Energy will assume all of Reliant Energy's obligations under the Stock Based Plans. Each outstanding award of or option to purchase shares of Reliant Energy common stock granted under these plans will automatically be converted into an award of or option to purchase the same number of shares of CenterPoint Energy common stock, with the same terms, rights and conditions as the corresponding Reliant Energy award or option. Following the holding company formation, CenterPoint Energy common stock will be used in lieu of Reliant Energy common stock whenever stock is required in connection with the Stock Based Plans.

By approving the merger agreement, the common shareholders of Reliant Energy will be deemed to have approved any necessary amendments to the Stock Based Plans.

The incumbent directors of Reliant Energy will become the directors of CenterPoint Energy at the effective time of the merger. They will be elected to serve as directors of CenterPoint Energy in the same classes and for the same terms of service for which they are serving as directors of Reliant Energy.

Upon effectiveness of the merger, CenterPoint Energy's principal executive officers are initially expected to be:

R. Steve Letbetter.....	Chairman of the Board, President and Chief Executive Officer
Robert W. Harvey.....	Vice Chairman
David M. McClanahan.....	Vice Chairman and President and Chief Operating Officer, Delivery Group
Stephen W. Naeve.....	Vice Chairman and Chief Financial Officer
Joe Bob Perkins.....	President and Chief Operating Officer, Wholesale Group
Hugh Rice Kelly.....	Executive Vice President, General Counsel and Corporate Secretary
Mary P. Ricciardello.....	Senior Vice President and Chief Accounting Officer

At the time when the stock of Reliant Resources is distributed to shareholders, it is expected that all of the above named individuals, except for Mr. McClanahan will resign their executive positions with CenterPoint Energy and will continue as the executive officers of Reliant Resources. At that time, the executive officers of CenterPoint Energy will be as follows.

David M. McClanahan.....	President and Chief Executive Officer
Scott E. Rozzell.....	Executive Vice President, General Counsel and Corporate Secretary
Stephen C. Schaeffer.....	Executive Vice President
Gary L. Whitlock.....	Executive Vice President and Chief Financial Officer

Additionally, it is expected that Mr. Letbetter will continue to serve as non-executive Chairman of the Board of CenterPoint Energy and that James A. Baker, III and Laree E. Perez will resign their director positions with CenterPoint Energy and will continue as directors of Reliant Resources. After the merger becomes effective, Reliant Energy will convert to a limited liability company under Texas law and will adopt the name CenterPoint Energy Houston Electric, LLC.

David M. McClanahan has served as Vice Chairman of Reliant Energy since October 2000 and as President and Chief Operating Officer of Reliant Energy's Regulated Group since 1999. Previously, he served as President and Chief Operating Officer of the Reliant Energy HL&P division from 1997 to 1999. He has served in various executive officer capacities with Reliant Energy since 1986. Mr. McClanahan is 52 years old.

Scott E. Rozzell has served as Executive Vice President and General Counsel of Reliant Energy's Regulated Group since March 2001. Prior to March 2001, he was a Senior Partner with the law firm of Baker Botts L.L.P. and Department Head of that firm's Energy Department. Mr. Rozzell is 52 years old.



Stephen C. Schaeffer has served as Senior Vice President -- Regulatory of Reliant Energy since 1999. He previously served as Executive Vice President -- Retail Energy Regulation of Reliant Energy's Retail Energy Group from 1997 to 1998. He has served in various executive officer capacities with Reliant Energy and its subsidiaries since 1989. Mr. Schaeffer is 53 years old.

Gary L. Whitlock has served as Executive Vice President and Chief Financial Officer of Reliant Energy's Regulated Group since July 2001. Between 1998 and 2001, Mr. Whitlock served as Vice President and Chief Financial Officer of Dow AgroSciences, a unit of The Dow Chemical Company. From

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1996 to 1998, he was Global Cost and Functional Controller of The Dow Chemical Company. Mr. Whitlock is 52 years old.

Information concerning the names, ages, positions and business experience of the directors and executive officers of CenterPoint Energy and information about executive compensation, security ownership of certain beneficial owners and management and certain relationships and related transactions omitted above is incorporated by reference herein from Reliant Energy's definitive proxy statement, dated April 2, 2001, for its Annual Meeting of Shareholders held on May 2, 2001 and Reliant Energy's annual report on Form 10-K for the year ended December 31, 2000.

#### REGULATION

CenterPoint Energy will not be subject to regulation by the Texas Utility Commission, except to the extent that its rules or orders impose restrictions on CenterPoint Energy's relationships with its regulated utility affiliates. Several of CenterPoint Energy's subsidiaries will, however, be subject to regulation by state and/or federal agencies.

- CenterPoint Energy Houston Electric, LLC will continue to be an electric utility engaged in the transmission and distribution of electricity and will remain subject to regulation by the Texas Utility Commission.
- It is expected that Texas Genco, the subsidiary of CenterPoint Energy which will hold its Texas generation assets, will register with the Texas Utility Commission as a Power Generation Company. As such, it will not be subject to cost of service rate regulation but will be subject to certain reporting requirements. Texas Genco will also be required to auction entitlements to 15% of its generating capacity pursuant to the Texas Utility Commission's rules for a period no longer than five years after the date customer choice is introduced.
- The natural gas distribution companies, Arkla, Entex and Minnegasco (which will initially be divisions of an indirect wholly owned subsidiary of CenterPoint Energy and will become indirect wholly owned subsidiaries of CenterPoint Energy), will continue to be subject to cost of service regulation by the applicable utility commissions of each state in which they operate (the Arkansas Public Service Commission, the Louisiana Public Service Commission, the Minnesota Public Utilities Commission, the Mississippi Public Service Commission, the Oklahoma Corporation Commission and the Texas Railroad Commission).
- The FERC will have regulatory jurisdiction over the interstate pipeline activities conducted by CenterPoint Energy's indirect wholly owned subsidiaries.

In addition, until the distribution described in "-- Distribution of Reliant Resources Common Stock" occurs, CenterPoint Energy will also own interests in other entities, indirectly through its ownership of Reliant Resources, that are subject to the jurisdiction of the Texas Utility Commission and the FERC:

- The subsidiaries of Reliant Resources that will provide retail electric service have registered with the Texas Utility Commission as retail electric providers. These subsidiaries that sell to residential and small commercial customers in the geographic area formerly served by Reliant Energy are treated as "affiliated retail electric providers" and are subject to restrictions on the prices they can charge their customers during a limited time period after retail choice begins. These affiliated retail electric providers will also be subject to certain reporting and customer protection requirements statewide and to minimum administrative, financial, and other requirements under the Texas Utility Commission's rules.
- The FERC will continue to have jurisdiction over Reliant Resources' electric generation and sales activities, natural gas marketing activities and power marketing activities.

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#### DESCRIPTION OF CENTERPOINT ENERGY CAPITAL STOCK

##### GENERAL

The following descriptions are summaries of material terms of the CenterPoint Energy common stock, preferred stock, articles of incorporation and bylaws. This summary is qualified by reference to the CenterPoint Energy articles of incorporation and bylaws, copies of which have been included as Annex B and Annex C, respectively, to this joint proxy statement/prospectus, and by the provisions of applicable law.

The CenterPoint Energy authorized capital stock consists of:

- 1,000,000,000 shares of common stock, without par value, of which 1,000 shares are outstanding, and
- 20,000,000 shares of preferred stock, without par value, of which no shares are outstanding.

The shares of CenterPoint Energy common stock into which the Reliant Energy common stock will be converted will be all of the shares of CenterPoint Energy capital stock outstanding upon the holding company formation pursuant to the merger agreement. A series of CenterPoint Energy preferred stock, designated Series A Preferred Stock, will be reserved for issuance upon exercise of the preferred stock purchase rights attached to each share of CenterPoint Energy common stock.

##### COMMON STOCK

Voting Rights. Holders of CenterPoint Energy common stock are entitled to one vote for each share on all matters submitted to a vote of shareholders, including the election of directors. There are no cumulative voting rights. Subject to the voting rights expressly conferred under prescribed conditions to the holders of CenterPoint Energy preferred stock, the holders of CenterPoint

Energy common stock possess exclusive full voting power for the election of directors and for all other purposes.

Dividends. Subject to preferences that may be applicable to any outstanding CenterPoint Energy preferred stock, the holders of CenterPoint Energy common stock are entitled to dividends when, as and if declared by the board of directors out of funds legally available for that purpose.

Liquidation Rights. If CenterPoint Energy is liquidated, dissolved or wound up, the holders of CenterPoint Energy common stock will be entitled to a pro rata share in any distribution to shareholders, but only after satisfaction of all of its liabilities and of the prior rights of any outstanding class of CenterPoint Energy preferred stock.

Preemptive Rights. Holders of CenterPoint Energy common stock are not entitled to any preemptive or conversion rights or other subscription rights.

Transfer Agent and Registrar. Our shareholder services division will serve as transfer agent and registrar for the CenterPoint Energy common stock.

Other Provisions. There are no redemption or sinking fund provisions applicable to the CenterPoint Energy common stock. No personal liability will attach to holders of such shares under the laws of the State of Texas. Subject to the provisions of the CenterPoint Energy articles of incorporation and bylaws imposing certain supermajority voting provisions, the rights of the holders of shares of CenterPoint Energy common stock may not be modified except by a vote of at least a majority of the shares outstanding, voting together as a single class.

#### PREFERRED STOCK

The CenterPoint Energy board of directors may cause CenterPoint Energy to issue preferred stock from time to time in one or more series and may fix the number of shares and the terms of each series

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without the approval of its shareholders. The CenterPoint Energy board of directors may determine the terms of each series, including:

- the designation of the series,
- dividend rates and payment dates,
- redemption rights,
- liquidation rights,
- sinking fund provisions,
- conversion rights,
- voting rights, and
- any other terms.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could

adversely affect the voting power of holders of CenterPoint Energy common stock. It could also affect the likelihood that holders of CenterPoint Energy common stock will receive dividend payments and payments upon liquidation. CenterPoint Energy has no present plans to issue any preferred stock.

The issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an attempt to obtain control of CenterPoint Energy. For example, if, in the exercise of its fiduciary obligations, the CenterPoint Energy board were to determine that a takeover proposal was not in the best interest of CenterPoint Energy, the board could authorize the issuance of a series of preferred stock containing class voting rights that would enable the holder or holders of the series to prevent or make the change of control transaction more difficult. Alternatively, a change of control transaction deemed by the board to be in the best interest of CenterPoint Energy could be facilitated by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the stockholders.

For purposes of the rights plan described below, CenterPoint Energy's board of directors will designate a series of preferred stock to constitute the Series A preferred stock. For a description of the rights plan, see "-- Antitakeover Effects of Texas Laws and CenterPoint Energy Charter and Bylaws Provisions -- Shareholder Rights Plan."

#### ANTITAKEOVER EFFECTS OF TEXAS LAW AND CENTERPOINT ENERGY CHARTER AND BYLAW PROVISIONS

Some provisions of Texas law and the CenterPoint Energy articles of incorporation and bylaws could make the following more difficult:

- acquisition of CenterPoint Energy by means of a tender offer,
- acquisition of control of CenterPoint Energy by means of a proxy contest or otherwise, or
- removal of CenterPoint Energy incumbent officers and directors.

These provisions, as well as the CenterPoint Energy shareholder rights plan, are designed to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of CenterPoint Energy to first negotiate with its board of directors. CenterPoint Energy believes that the benefits of this increased protection give it the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure it, and that the benefits of this increased protection outweigh the disadvantages of discouraging those proposals, because negotiation of those proposals could result in an improvement of their terms.

#### CHARTER AND BYLAW PROVISIONS

Election and Removal of Directors. The exact number of members of the CenterPoint Energy board of directors will be fixed from time to time by resolution of the board of directors. The CenterPoint Energy board of directors is divided into three classes, Class I, Class II and Class III. Each class is as

nearly equal in number of directors as possible. The terms of office of the directors of Class I expire at the annual meeting of shareholders in 2002, of Class II expire at the annual meeting of shareholders in 2003 and of Class III expire at the annual meeting of shareholders in 2004. At each annual meeting, the shareholders elect the number of directors equal to the number in the class whose term expires at the meeting to hold office until the third succeeding annual meeting. This system of electing and removing directors may discourage a third party from making a tender offer for or otherwise attempting to obtain control of CenterPoint Energy, because it generally makes it more difficult for shareholders to replace a majority of the directors. In addition, no director may be removed except for cause, and directors may be removed for cause only by the holders of a majority of the shares of capital stock entitled to vote at an election of directors. Any vacancy occurring on the board of directors and any newly created directorship may be filled by a majority of the remaining directors in office or by election by the shareholders.

**Shareholder Meetings.** The CenterPoint Energy articles of incorporation and bylaws provide that special meetings of holders of common stock may be called only by the chairman of its board of directors, its chief executive officer, the president, the secretary or a majority of its board of directors or the holders of at least 50% of the shares outstanding and entitled to vote.

**Modification of Articles of Incorporation.** In general, amendments to the articles of incorporation which are recommended by the board of directors require the affirmative vote of holders of at least a majority of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors. The provisions described above under "-- Election and Removal of Directors" and "-- Shareholder Meetings" may be amended only by the affirmative vote of holders of at least 66 2/3% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors. The provisions described below under "-- Modification of the Bylaws" may be amended only by the affirmative vote of holders of at least 80% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors.

**Modification of Bylaws.** The CenterPoint Energy board of directors has the power to alter, amend or repeal the bylaws or adopt new bylaws by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the board of directors called for that purpose. The shareholders also have the power to alter, amend or repeal the bylaws or adopt new bylaws by the affirmative vote of holders of at least 80% of the voting power of all outstanding shares of capital stock entitled to vote in the election of directors, voting together as a single class.

**Other Limitations on Shareholder Actions.** The CenterPoint Energy bylaws also impose some procedural requirements on shareholders who wish to:

- make nominations in the election of directors,
- propose that a director be removed,
- propose any repeal or change in the bylaws, or
- propose any other business to be brought before an annual or special meeting of shareholders.

Under these procedural requirements, a shareholder must deliver timely notice to the corporate secretary of the nomination or proposal along with evidence of:

- the shareholder's status as a shareholder,
- the number of shares beneficially owned by the shareholder,
- a list of the persons with whom the shareholder is acting in concert, and

- the number of shares such persons beneficially own.

To be timely, a shareholder must deliver notice:

- in connection with an annual meeting of shareholders, not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held, or
- in connection with a special meeting of shareholders, not less than 40 nor more than 60 days prior to the date of the special meeting.

In order to submit a nomination for the board of directors, a shareholder must also submit information with respect to the nominee that CenterPoint Energy would be required to include in a proxy statement, as well as some other information. If a shareholder fails to follow the required procedures, the shareholder's nominee or proposal will be ineligible and will not be voted on by the CenterPoint Energy shareholders.

Limitation on Liability of Directors. The CenterPoint Energy articles of incorporation provide that no director will be personally liable to it or its shareholders for monetary damages for breach of fiduciary duty as a director, except as required by law, as in effect from time to time. Currently, Texas law requires that liability be imposed for the following:

- any breach of the director's duty of loyalty to CenterPoint Energy or its shareholders,
- any act or omission not in good faith that constitutes a breach of duty of the director to the corporation or an act or omission that involves intentional misconduct or a knowing violation of law,
- a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of a director's office, and
- an act or omission for which the liability of a director is expressly provided for by statute.

The CenterPoint Energy bylaws provide that CenterPoint Energy will indemnify its officers and directors and advance expenses to them in connection with proceedings and claims, to the fullest extent permitted by the Texas Business Corporation Act ("TBCA"). The bylaws authorize the board of directors of CenterPoint Energy to indemnify and advance expenses to people other than its officers and directors in certain circumstances.

#### TEXAS ANTITAKEOVER LAW

CenterPoint Energy is subject to Article 13.03 of the TBCA. That section prohibits Texas corporations from engaging in a wide range of specified transactions with any affiliated shareholder during the three-year period immediately following the affiliated shareholder's acquisition of shares. An affiliated shareholder is any person, other than the corporation and any of its wholly-owned subsidiaries, that is or was within the preceding three-year period the beneficial owner of 20% or more of any class or series of stock entitled to vote generally in the election of directors. Article 13.03 may deter any potential unfriendly offers or other efforts to obtain control of CenterPoint Energy that are not approved by its board. This may deprive the shareholders of opportunities to sell shares of CenterPoint Energy common stock at a premium to the prevailing market price.

#### SHAREHOLDER RIGHTS PLAN

Each share of common stock includes one right to purchase from CenterPoint Energy a unit consisting of one one-thousandth of a share of its Series A preferred stock at a purchase price of \$42.50 per unit, subject to adjustment. The rights will be issued pursuant to a rights agreement between CenterPoint Energy and JPMorgan Chase Bank, as rights agent. The rights and the rights agreement are substantially similar to the rights which are attached to the Reliant Energy common stock and the related

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rights agreement. We have summarized selected portions of the rights agreement and the rights below. For a complete description of the rights, we encourage you to read the summary below and the rights agreement. We have filed the rights agreement with the SEC. Please read the "Where You Can Find More Information" section in this joint proxy statement/prospectus to find out how you may obtain a copy of the rights agreement.

Detachment of Rights; Exercisability. The rights will attach to all certificates representing CenterPoint Energy common stock issued prior to the "release date." That date will occur, except in some cases, on the earlier of:

- ten days following a public announcement that a person or group of affiliated or associated persons, who we refer to collectively as an "acquiring person," has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of the CenterPoint Energy common stock, or
- ten business days following the start of a tender offer or exchange offer that would result in a person becoming an acquiring person.

The CenterPoint Energy board of directors may defer the release date in some circumstances. Also, some inadvertent acquisitions of CenterPoint Energy common stock will not result in a person becoming an acquiring person if the person promptly divests itself of sufficient common stock.

Until the release date:

- common stock certificates will evidence the rights,
- the rights will be transferable only with those certificates,
- new common stock certificates will contain a notation incorporating the rights agreement by reference, and
- the surrender for transfer of any common stock certificate will also constitute the transfer of the rights associated with the common stock represented by the certificate.

The rights are not exercisable until the release date and will expire at the close of business on December 31, 2011, unless CenterPoint Energy redeems or exchanges them at an earlier date as described below.

As soon as practicable after the release date, the rights agent will mail certificates representing the rights to holders of record of common stock as of the close of business on the release date. From that date on, only separate rights certificates will represent the rights. CenterPoint Energy will also issue rights with all shares of common stock issued prior to the release date. CenterPoint Energy will also issue rights with shares of common stock issued after the release date in connection with some employee benefit plans or upon conversion of some securities. Except as otherwise determined by the CenterPoint Energy board of directors, CenterPoint Energy will not issue rights with any other shares of common stock issued after the release date.

Flip-In Event. A flip-in event will occur under the rights agreement when a person becomes an acquiring person otherwise than pursuant to a "permitted offer." The rights agreement defines "permitted offer" as a tender or exchange offer for all outstanding shares of CenterPoint Energy common stock at a price and on terms that a majority of the independent directors of the CenterPoint Energy board of directors determines to be fair to and otherwise in the best interests of CenterPoint Energy and the best interest of its shareholders.

If a flip-in event occurs, each right, other than any right that has become null and void as described below, will become exercisable to receive the number of shares of common stock, or in certain circumstances, cash, property or other securities, which has a "current market price" equal to two times

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the exercise price of the right. Please refer to the rights agreement for the definition of "current market price."

Flip-Over Event. A "flip-over event" will occur under the rights agreement when, at any time from and after the time a person becomes an acquiring person:

- CenterPoint Energy is acquired or it acquires such person in a merger or other business combination transaction, other than specified mergers that follow a permitted offer, or
- 50% or more of the assets, cash flow or earning power of CenterPoint Energy is sold or transferred.

If a flip-over event occurs, each holder of a right, except rights that are voided as described below, will thereafter have the right to receive, on exercise of the right, a number of shares of common stock of the acquiring company that has a current market price equal to two times the exercise price of the right.

When a flip-in event or a flip-over event occurs, all rights that then are, or under the circumstances the rights agreement specifies previously were, beneficially owned by an acquiring person or specified related parties will become null and void in the circumstances the rights agreement specifies.

Series A Preferred Stock. After the release date, each right will entitle the holder to purchase a fractional share of CenterPoint Energy Series A preferred stock, which will be essentially the economic equivalent of one share of common stock.

Antidilution. The number of outstanding rights associated with a share of common stock, the number of fractional shares of Series A preferred stock issuable upon exercise of a right and the exercise price of the right are subject to adjustment in the event of certain stock dividends on, or a subdivision, combination or reclassification of, CenterPoint Energy common stock occurring prior to the release date. The exercise price of the rights and the number of fractional shares of Series A preferred stock or other securities or property issuable on exercise of the rights are subject to adjustment from time to time to prevent dilution in the event of certain transactions affecting the Series A preferred stock.

With some exceptions, CenterPoint Energy will not be required to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. The rights agreement also will not require CenterPoint Energy to issue fractional shares of Series A preferred stock that are not integral multiples of the specified fractional share and, in lieu thereof, CenterPoint Energy will make a cash adjustment based on the market price of the Series A preferred stock on the last trading date prior to the date of exercise.



Pursuant to the rights agreement, CenterPoint Energy reserves the right to require prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, a number of rights must be exercised so that it will issue only whole shares of Series A preferred stock.

**Redemption of Rights.** At any time until the time a person becomes an acquiring person, CenterPoint Energy may redeem the rights in whole, but not in part at a price of \$.005 per right, payable, at its option, in cash, shares of common stock or such other consideration as its board of directors may determine. Upon such redemption, the rights will terminate and the only right of the holders of rights will be to receive the \$.005 redemption price.

**Exchange of Rights.** At any time after the occurrence of a flip-in event and prior to a person's becoming the beneficial owner of 50% or more of the CenterPoint Energy outstanding common stock or the occurrence of a flip-over event, CenterPoint Energy may exchange the rights, other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which will have become void, in whole or in part, at an exchange ratio of one share of common stock, and/or other equity securities deemed to have the same value as one share of common stock, per right, subject to adjustment.

**Substitution.** If CenterPoint Energy has an insufficient number of authorized but unissued shares of common stock available to permit an exercise or exchange of rights upon the occurrence of a flip-in event, it may substitute certain other types of property for common stock so long as the total value received by the holder of the rights is equivalent to the value of the common stock that the shareholder would

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otherwise have received. CenterPoint Energy may substitute cash, property, equity securities or debt, reduce the exercise price of the rights or use any combination of the foregoing.

**No Rights as a Shareholder.** Until a right is exercised, a holder of rights will have no rights to vote or receive dividends or any other rights as a shareholder of CenterPoint Energy common stock.

**Amendment of Terms of Rights.** The CenterPoint Energy board of directors may amend any of the provisions of the rights agreement, other than the redemption price, at any time prior to the time a person becomes an acquiring person. Thereafter, the board of directors may only amend the rights agreement in order to cure any ambiguity, defect or inconsistency or to make changes that do not materially and adversely affect the interests of holders of the rights, excluding the interests of any acquiring person.

**Rights Agent.** JPMorgan Chase Bank will serve as rights agent with regard to the rights.

**Anti-Takeover Effects.** The rights will have anti-takeover effects. They will cause substantial dilution to any person or group that attempts to acquire CenterPoint Energy without the approval of its board of directors. As a result, the overall effect of the rights may be to make more difficult or discourage any attempt to acquire CenterPoint Energy even if such acquisition may be favorable to the interests of its shareholders. Because the CenterPoint Energy board of directors can redeem the rights or approve a permitted offer, the rights should not interfere with a merger or other business combination approved by the board of directors.

## DISTRIBUTION OF RELIANT RESOURCES COMMON STOCK

Reliant Energy's business separation plan includes the distribution, or spin-off, to its common shareholders of its remaining ownership interest in Reliant Resources, subject to receipt of a favorable IRS ruling and action by the board of directors to effect the distribution. Reliant Energy owns approximately 80% of the outstanding common stock of Reliant Resources. Since it is expected that the holding company formation will be completed before the distribution is made, the distribution of Reliant Resources common stock will be made by CenterPoint Energy, subject to the same conditions. Each holder of CenterPoint Energy common stock on the record date established by the board of directors will receive his pro rata share of the Reliant Resources common stock now owned by Reliant Energy. YOU ARE NOT BEING ASKED TO VOTE TO APPROVE THE DISTRIBUTION OF RELIANT RESOURCES COMMON STOCK. SHAREHOLDER APPROVAL OF THE DISTRIBUTION IS NOT REQUIRED UNDER APPLICABLE LAW OR OTHERWISE.

CenterPoint Energy's board has discretion, even if the other conditions to the distribution are satisfied, to abandon, defer or modify the distribution or any matter contemplated by the distribution. If and when CenterPoint Energy's board of directors takes the required action necessary to consummate the distribution, we will announce the distribution record date, the distribution date and any other material details of the distribution.

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## COMPARISON OF RIGHTS OF CENTERPOINT ENERGY AND RELIANT ENERGY SHAREHOLDERS

### GENERAL

Upon completion of the holding company formation, holders of Reliant Energy common stock will become shareholders of CenterPoint Energy. Both Reliant Energy and CenterPoint Energy are corporations organized under the laws of Texas and are therefore subject to the TBCA. Except as set forth below, the articles of incorporation and bylaws of CenterPoint Energy are substantially the same as the articles of incorporation and bylaws of Reliant Energy. The following summary, which does not purport to be complete, sets forth certain differences between the CenterPoint Energy articles of incorporation and the Reliant Energy articles of incorporation, and the CenterPoint Energy bylaws and the Reliant Energy bylaws. This summary is qualified by reference to the full text of each of such documents and the TBCA.

### CAPITALIZATION

The authorized capital stock of Reliant Energy consists of 720,000,000 shares, consisting of 700,000,000 shares of common stock, without par value, 10,000,000 shares of preferred stock, without par value, and 10,000,000 shares of preference stock without par value.

CenterPoint Energy is authorized to issue 1,000,000,000 shares of common stock, without par value, and 20,000,000 shares of preferred stock, without par value.

The CenterPoint Energy articles of incorporation provide that shares of preferred stock may be issued from time to time in one or more series by the board of directors. The board can fix the preferences, limitations and relative rights of the preferred stock. The Reliant Energy articles of incorporation contain similar "blank check" provisions with respect to its preference stock, but not with respect to its preferred stock.

## AMENDMENTS TO CHARTER

The articles of incorporation of both Reliant Energy and CenterPoint Energy require amendments to be approved by a majority of the outstanding shares entitled to vote on the amendment in the event that the amendment is recommended to the shareholders by the applicable board of directors. However, the CenterPoint Energy articles of incorporation require approval by 66 2/3% of the outstanding shares entitled to vote for amendments to Articles V and XI of the CenterPoint Energy articles of incorporation and 80% of the outstanding shares entitled to vote for amendments to Article VIII of the CenterPoint Energy articles of incorporation. Article V relates to the number, term, election and removal of directors, Article XI relates to the ability of shareholders to call special meetings, and Article VIII relates to the amendment of the bylaws.

## SPECIAL MEETINGS OF SHAREHOLDERS

The Reliant Energy bylaws and the CenterPoint Energy articles of incorporation provide that a special meeting of the shareholders may be called by the Chairman of the Board, the Chief Executive Officer, the President or the Corporate Secretary of Reliant Energy or CenterPoint Energy, respectively, or their respective boards of directors. The Reliant Energy bylaws also permit the holders of at least 10% of the shares outstanding and entitled to vote at a special meeting to call such meeting, while the CenterPoint Energy articles require at least 50% of the shares outstanding and entitled to vote at such meeting to do so.

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## REMOVAL OF DIRECTORS

The Reliant Energy bylaws provide that no director of Reliant Energy may be removed from office by vote or other action of the shareholders or otherwise except:

- with cause by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of capital stock of Reliant Energy entitled to vote in the election of directors, voting together as a single class, or
- without cause by (i) the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Reliant Energy board of directors called for that purpose or (ii) the affirmative vote of the holders of at least 80% of the voting power of all outstanding shares of capital stock of Reliant Energy entitled to vote in the election of directors, voting together as a single class.

The CenterPoint Energy articles of incorporation and bylaws provide that a director may be removed only for cause and in that event only by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of capital stock of CenterPoint Energy entitled to vote in the election of directors, voting together as a single class.

## INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Reliant Energy bylaws require Reliant Energy to provide indemnification and advancement of expenses to the fullest extent allowed by Texas law. The CenterPoint Energy bylaws require CenterPoint Energy to provide indemnification and advancement of expenses to the fullest extent allowed by Texas law, but only to directors and officers. The CenterPoint Energy bylaws further provide that the board of directors may, by adoption of a resolution, indemnify or advance expenses to any other person to the same extent as any officer or director.

The Reliant Energy bylaws provide that Reliant Energy will indemnify a person who may not have been wholly successful in the proceeding against him, but who may have been successful on a particular matter within the proceeding.

The CenterPoint Energy bylaws do not require that an indemnitee be successful in a proceeding or as to any other matter within a proceeding in order to be indemnified by CenterPoint Energy.

#### EXPERTS

Reliant Energy's consolidated financial statements as of December 31, 2000 and 1999, and for the years ended December 31, 2000, 1999 and 1998, incorporated in this joint proxy statement/prospectus by reference from Reliant Energy's Annual Report on Form 10-K for the year ended December 31, 2000 and CenterPoint Energy Inc.'s (formerly Reliant Energy Regco, Inc.) consolidated balance sheet as of September 14, 2001 included in this joint proxy statement/prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, incorporated herein by reference or included herein and have been so incorporated or included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

#### LEGAL MATTERS

Baker Botts L.L.P., Houston, Texas, will pass on the validity of the shares of CenterPoint Energy common stock issued in connection with the merger and certain United States federal income taxation matters. James A. Baker III, a senior partner in the law firm of Baker Botts L.L.P., is currently a director of Reliant Energy and a beneficial owner of 5,000 shares of Reliant Energy common stock.

#### FUTURE SHAREHOLDER PROPOSALS

Rule 14a-8 under the Securities Exchange Act of 1934 addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In general, under Rule 14a-8 a proposal for a regularly scheduled annual meeting must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting or, if the company did not hold an annual meeting the previous year, a reasonable time before the company begins to print and mail its proxy materials. For a special meeting, the deadline is a reasonable time before the company begins to print and mail its proxy materials. In addition to complying with the applicable deadline, shareholder proposals must also be otherwise eligible for inclusion.

CenterPoint Energy expects to maintain the same annual meeting schedule as Reliant Energy has followed in the past. Any shareholder who intends to present a proposal at the 2002 annual meeting of shareholders and who requests inclusion of the proposal in CenterPoint Energy's 2002 proxy statement and form of proxy in accordance with applicable SEC rules must file such proposal with CenterPoint Energy in care of Reliant Energy, Incorporated by December 3, 2001.

CenterPoint Energy's bylaws also require advance notice of other proposals by shareholders to be presented for action at an annual meeting. In the case of the 2002 annual meeting, the required notice must be received by CenterPoint Energy's Corporate Secretary between November 3, 2001 and February 1, 2002. The bylaws require that the proposal must constitute a proper subject to be brought before the meeting and the notice must contain prescribed information, including a description of the proposal and the reasons for bringing it before the meeting, proof of the proponent's status as a shareholder and the number of shares held and a description of all arrangements and understandings between the proponent and anyone else in connection with the proposal. If the proposal is for an amendment of the bylaws, the notice must also include the text of the proposal and be accompanied by an opinion of counsel to the effect the proposal would not conflict with CenterPoint Energy's articles of incorporation or Texas law. A copy of the bylaws describing the requirements for notice of shareholder proposals may be obtained by writing or calling CenterPoint Energy in care of

Reliant Energy, Incorporated, Investor Services Department, P.O. Box 4505, Houston, Texas 77210-4505, (800) 231-6406 or (713) 207-3060.

CenterPoint Energy's bylaws provide that a shareholder may nominate a director for election if the shareholder sends a notice to CenterPoint Energy's Corporate Secretary identifying any other person making the nomination with the shareholder and providing proof of shareholder status. This notice must be

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received at CenterPoint Energy's principal executive offices between November 3, 2001 and February 1, 2002. The shareholder also must provide the information about the nominee that would be required to be disclosed in the proxy statement. CenterPoint Energy is not required to include any shareholder-proposed nominee in the proxy statement. A copy of the bylaws describing the requirements for nomination of director candidates by shareholders may be obtained by writing or calling CenterPoint Energy in care of Reliant Energy at the address and telephone numbers shown above.

#### OTHER PROPOSALS

The board of directors does not intend to bring any other matters before the meeting and has not been informed that any other matters are to be properly presented to the meeting by others. If other business is properly raised, your proxy card authorizes the people named as proxies to vote as they think best, unless authority to do so is withheld by you in your proxy.

#### WHERE YOU CAN FIND MORE INFORMATION

Federal securities law requires Reliant Energy to file information with the SEC concerning its business and operations. Accordingly, Reliant Energy files annual, quarterly and special reports and other information with the SEC. Reliant Energy also files proxy statements with the SEC. You may read and copy any document Reliant Energy files at the SEC's public reference rooms located at 450 Fifth Street, N.W., Washington, D.C. 20549.

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. These SEC filings are also available to the public on the SEC's web site at: <http://www.sec.gov>. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

CenterPoint Energy has filed with the SEC a registration statement on Form S-4. This joint proxy statement/prospectus is a part of the registration statement and constitutes a prospectus of CenterPoint Energy for the CenterPoint Energy common stock to be issued to Reliant Energy's shareholders in the merger. As allowed by the SEC rules, this joint proxy statement/prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement. For further information with respect to CenterPoint Energy and the CenterPoint Energy common stock, you should consult the registration statement and its exhibits. Statements contained in this joint proxy statement/prospectus concerning the provisions of any documents are summaries of those documents, and we refer you to the document filed with the SEC for additional information. The registration statement and any of its amendments, including exhibits filed as a part of the registration statement or an amendment to the registration statement, are available for inspection and copying as described above.

SEC rules and regulations permit us to "incorporate by reference" the information Reliant Energy files with the SEC. This means that we can disclose important information to you by referring you to the other information Reliant Energy has filed with the SEC. The information that we incorporate by reference is considered to be part of this joint proxy statement/prospectus. Information that Reliant Energy files later with the SEC will automatically update and supersede this information.

We incorporate by reference the documents listed below and any filings Reliant Energy will make with the SEC under Sections 13(a), 13(c), 14 or 15(d)

of the Securities Exchange Act of 1934 following the date of this document, but prior to the date of the shareholder meeting:

- the Annual Report on Form 10-K of Reliant Energy for the year ended December 31, 2000,
- the Quarterly Reports on Form 10-Q of Reliant Energy for the periods ended March 31, 2001 and June 30, 2001,
- the Current Report on Form 8-K of Reliant Energy filed September 12, 2001,
- Item 5 of the Current Report on Form 8-K filed September 28, 2001, and

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- the Proxy Statement, dated April 2, 2001, for the Annual Meeting of Shareholders held on May 2, 2001.

You can request a free copy of the above filings or any filings subsequently incorporated by reference into this joint proxy statement/prospectus by writing or calling:

Reliant Energy, Incorporated

Investor Services Department

P.O. Box 4505

Houston, Texas 77210-4505

Telephone: (800) 231-6406 or (713) 207-3060

In order to ensure timely delivery of these documents, you should make such request by December 10, 2001.

Neither CenterPoint Energy nor Reliant Energy has authorized anyone to give any information or make any representation about the merger or about the respective companies that differs from or adds to the information in this joint proxy statement/prospectus or in the documents that Reliant Energy files publicly with the SEC. Therefore, you should not rely upon any information that differs from or is in addition to the information contained in this joint proxy statement/prospectus or in the documents that Reliant Energy files publicly with the SEC.

If you live in a jurisdiction where it is unlawful to offer to exchange or sell, to ask for offers to exchange or buy, or to ask for proxies regarding the securities offered by this joint proxy statement/prospectus, or if you are a person to whom it is unlawful to direct such activities, the offer presented by this joint proxy statement/prospectus is not extended to you.

The information contained in this joint proxy statement/prospectus speaks only as of the date on the cover, unless the information specifically indicates that another date applies.

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CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

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# INDEPENDENT AUDITORS' REPORT

To the Stockholder of  
CenterPoint Energy, Inc.  
Houston, Texas

We have audited the accompanying consolidated balance sheet of CenterPoint Energy, Inc. (formerly Reliant Energy Regco, Inc.) and its subsidiaries (the Company), a wholly owned subsidiary of Reliant Energy, Incorporated (Reliant Energy) as of September 14, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet presents fairly, in all material respects, the financial position of the Company as of September 14, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Houston, Texas  
November 5, 2001

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## CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET

SEPTEMBER 14, 2001

#### ASSETS

Cash.....	\$3,000
	-----
Total assets.....	\$3,000
	=====

LIABILITIES AND STOCKHOLDER'S EQUITY  
Stockholder's Equity

Preferred stock, no par value, 20,000,000 shares authorized, none issued and outstanding.....	\$ --
Common stock, no par value, 1,000,000,000 shares authorized, 1,000 shares issued and outstanding.....	1,000
Additional paid in capital.....	2,000
	-----
Total stockholder's equity.....	3,000
	-----
Total liabilities and stockholder's equity.....	\$3,000
	=====

See Note to the Company's Consolidated Balance Sheet  
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## CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

### NOTE TO CONSOLIDATED BALANCE SHEET

#### (1) BASIS OF PRESENTATION

On August 31, 2001, Reliant Energy, Incorporated (Reliant Energy) formed a new corporation, Reliant Energy Regco, Inc., a Texas corporation, to become its holding company. Reliant Energy Regco, Inc. is a direct wholly owned subsidiary of Reliant Energy. On September 10, 2001, Reliant Energy Regco, Inc. formed a new wholly owned subsidiary named Utility Holding LLC as a Delaware limited liability company. On September 12, 2001, Utility Holding LLC formed a new wholly owned subsidiary named Reliant Energy MergerCo, Inc. (MergerCo) as a Texas corporation. To create the holding company structure, Reliant Energy will merge with MergerCo. On October 9, 2001, Reliant Energy Regco, Inc.'s corporate charter was amended to change its corporate name to CenterPoint Energy, Inc. CenterPoint Energy, Inc. has 1,020,000,000 authorized shares, comprised of 1,000,000,000 shares of no par value common stock and 20,000,000 shares of no par value preferred stock.

The merger is the mechanical step necessary for Reliant Energy to become a subsidiary of the new holding company in order to comply with regulatory legislation related to the deregulation of the Texas electric industry. Upon completion of the merger, Reliant Energy and Reliant Energy's subsidiaries will be indirect subsidiaries of CenterPoint Energy, Inc. CenterPoint Energy, Inc. has not, to date, conducted any activities other than those incident to its formation and the matters contemplated by the merger agreement. Accordingly, statements of consolidated operations, stockholder's equity and cash flows would not provide meaningful information and have been omitted. Upon the merger, CenterPoint Energy, Inc. will adopt the accounting policies of Reliant Energy.

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### ANNEX A AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") is made as of October 19, 2001, by and among Reliant Energy, Incorporated, a Texas corporation ("REI"), Reliant Energy MergerCo, Inc., a Texas corporation ("MergerCo"), and CenterPoint Energy, Inc., a Texas corporation ("CEP").

WHEREAS, REI has authorized capital consisting of (i) 700,000,000 shares of common stock, without par value ("REI Common Stock"), of which 298,124,743 shares were issued and outstanding as of the date hereof and 4,511,691 shares were held as treasury stock; (ii) 10,000,000 shares of preferred stock, without par value ("REI Preferred Stock"), of which 97,397 shares are issued and outstanding; (iii) 10,000,000 shares of preference stock, without par value ("REI Preference Stock"), of which 50,810 shares (consisting of four separate series) are issued and outstanding; and



WHEREAS, CEP has authorized capital consisting of 1,000,000,000 shares of common stock, without par value ("CEP Common Stock"), of which 1,000 shares are issued and outstanding and are owned beneficially and of record by REI, and 20,000,000 shares of preferred stock, without par value ("CEP Preferred Stock"), of which no shares are issued and outstanding; and

WHEREAS, MergerCo has authorized capital consisting of 1,000 shares of common stock, without par value ("MergerCo Common Stock"), of which 100 shares are issued and outstanding and are owned beneficially and of record by Utility Holding LLC, a Delaware limited liability company and a direct wholly owned subsidiary of CEP ("Utility LLC"); and

WHEREAS, the Boards of Directors of the respective parties hereto deem it advisable and in the best interests of their respective shareholders to merge MergerCo with and into REI with REI being the surviving corporation (the "Merger"), for the purpose and with the effect of establishing CEP as the indirect parent corporation of REI in a transaction intended to qualify for tax-free treatment; and

WHEREAS, REI, CEP and MergerCo desire to make certain covenants and agreements in connection with the Merger and to prescribe various conditions to the Merger; and

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements contained herein, the parties agree as follows:

#### ARTICLE 1

##### THE MERGER

1.1 The Merger; Effective Time of the Merger. Upon the terms and subject to the conditions of this Agreement at the Effective Time, MergerCo shall be merged with and into REI in accordance with the Texas Business Corporation Act (the "TBCA"). As soon as practicable at or after the closing of the Merger (the "Closing"), articles of merger, prepared and executed in accordance with the relevant provisions of the TBCA, with respect to the Merger (the "Articles of Merger") shall be filed with the Secretary of State of the State of Texas. The Articles of Merger shall state that the Merger is to become effective immediately upon filing of the Articles of Merger with the Secretary of State of the State of Texas or, if agreed to by REI, CEP and MergerCo, at such time thereafter as is provided in the Articles of Merger. The Merger shall become effective at the time of the issuance of the certificate of merger with respect to the Merger by the Secretary of State of the State of Texas or, if a later effective time was provided in the Articles of Merger, such later time (the "Effective Time").

1.2 Closing. The Closing shall take place at 10:00 a.m. on a date to be specified by the parties, which shall be as soon as practicable after satisfaction (or waiver in accordance with this Agreement) of the latest to occur of the conditions set forth in Article 3 (the "Closing Date"), at the offices of Baker Botts L.L.P., 910 Louisiana, Houston, Texas 77002, unless another date or place is agreed to in writing by the parties.

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##### 1.3 Effects of the Merger.

(a) At the Effective Time: (i) MergerCo shall be merged with and into REI, the separate existence of MergerCo shall cease and REI shall continue as the surviving corporation (REI is sometimes referred to herein as the "Surviving Corporation"); (ii) the Articles of Incorporation of REI as in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation; and (iii) the Bylaws of REI as in effect

immediately prior to the Effective Time shall be the Bylaws of the Surviving Corporation.

(b) The directors and officers of MergerCo at the Effective Time shall, from and after the Effective Time, be the initial directors and officers of the Surviving Corporation and shall serve until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation and Bylaws.

(c) The Merger shall have the effects set forth in this Section 1.3 and the applicable provisions of the TBCA.

## ARTICLE 2

### EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

2.1 Effect of Merger on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of REI, CEP and MergerCo:

(a) Cancellation of CEP Common Stock. Each share of CEP Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled and retired and shall cease to exist and no consideration shall be delivered or deliverable in exchange therefor.

(b) Exchange of MergerCo Common Stock. Each share of MergerCo Common Stock issued and outstanding immediately prior to the Effective Time shall be automatically converted into one share of common stock, without par value, of the Surviving Corporation.

(c) Exchange of REI Common Stock. Each share of REI Common Stock issued and outstanding immediately prior to the Effective Time shall be automatically converted into one share of CEP Common Stock. Pursuant to a Rights Agreement between CEP and JP Morgan Chase Bank, as Rights Agent (the "CEP Rights Agreement"), each share of CEP Common Stock so issued upon such conversion of REI Common Stock as a result of the Merger shall entitle the holder thereof to associated rights ("CEP Stock Purchase Rights") to purchase one one-thousandth of a share of Series A Preferred Stock, without par value, of CEP ("CEP Series A Preferred Stock"). All references in this Agreement to the CEP Common Stock to be received pursuant to the Merger shall be deemed to include the associated CEP Stock Purchase Rights. The Rights Agreement (the "REI Rights Agreement"), dated as of July 11, 1990 and amended and restated as of August 6, 1997, between REI and Chase Bank of Texas, National Association ("Chase"), as Rights Agent, and the rights issued thereunder associated with the REI Common Stock ("REI Stock Purchase Rights") shall be terminated. All shares of REI Common Stock, when so converted, shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect to stock of the Surviving Corporation, and their sole rights shall be with respect to the CEP Common Stock into and for which their shares of REI Common Stock shall have been converted in the Merger.

(d) Treatment of REI Restricted Shares. Each share of REI Common Stock previously awarded as a restricted share award under one of REI's employee benefit plans, whether awarded by stock certificate or by bookkeeping entry, shall automatically and without any action on the part of the holder thereof be converted into one share of CEP Common Stock subject to the same conditions and restrictions as applicable to the restricted share award immediately prior to the Effective Time.

(e) Treatment of REI Stock Options. Each unexpired option to purchase REI Common Stock that is outstanding at the Effective Time (an "REI Stock Option"), whether or not exercisable, shall automatically and without any action on the part of the holder thereof be converted into an option to purchase the number of shares of CEP Common Stock equal to the number of shares of REI Common Stock that could be purchased under such REI Stock Option at a price per share of CEP Common Stock equal to the per share exercise price of such REI Stock Option.

(f) REI Preference Stock Unchanged. Each share of REI Preference Stock issued and outstanding immediately prior to the Effective Time shall not be converted or otherwise affected by the Merger and shall remain outstanding after the Merger.

(g) REI Treasury Stock. Each share of REI Common Stock held by REI in its treasury at the Effective Time, if any, shall be canceled.

2.2 Exchange of REI Common Stock Certificates. Following the Effective Time, each outstanding certificate which, prior to the Effective Time, represented REI Common Stock shall be deemed and treated for all purposes to represent the ownership of the same number of shares of CEP Common Stock as though a surrender or transfer and exchange had taken place. Each holder of an outstanding certificate or certificates which, prior to the Effective Time, represented shares of REI Common Stock may, but shall not be required to, surrender the same to CEP for cancellation or transfer, and each such holder or transferee will be entitled to receive certificates representing the same number of shares of CEP Common Stock as the shares of REI Common Stock previously represented by the stock certificates surrendered. The stock transfer books for the REI Common Stock shall be deemed to be closed at the Effective Time and no transfer of outstanding shares of REI Common Stock shall thereafter be made on such books, but when certificates that formerly represented shares of REI Common Stock are duly presented to CEP or its transfer agent for exchange or transfer, CEP will cause to be issued in respect thereof certificates representing an equal number of shares of CEP Common Stock.

### ARTICLE 3

#### CONDITIONS TO THE MERGER

Completion of the Merger is subject to the satisfaction of the following conditions:

3.1 Shareholder Approval. This Agreement and the transactions provided for herein shall have been approved by holders of common stock of each of REI and MergerCo as and to the extent required by their respective Articles of Incorporation and the TBCA.

3.2 CEP Common Stock Listed. The CEP Common Stock to be issued and to be reserved for issuance pursuant to the Merger, together with the related CEP Stock Purchase Rights, shall have been approved for listing, upon official notice of issuance, by the New York Stock Exchange and the Chicago Stock Exchange.

3.3 Tax Opinion. There shall have been delivered an opinion of tax counsel to the effect that none of CEP, REI and the holders of REI Common Stock will recognize taxable gain or loss as a result of the consummation of the Merger.

3.4 Regulatory Approvals. All authorizations by and approvals of any governmental or public authority or agency deemed necessary or advisable by the Board of Directors of REI in connection with the Merger and other related transactions shall have been obtained, shall be in full force and effect, shall

not have been revoked and shall be legally sufficient to authorize the transactions contemplated by this Agreement.

3.5 Other Approvals or Waivers. All third party consents or waivers deemed necessary or advisable by the Board of Directors of REI in connection with the Merger and other related transactions shall have been obtained.

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3.6 Redemption of REI Preferred Stock. REI will have redeemed the 97,397 outstanding shares of REI Preferred Stock.

3.7 Registration Statement. A registration statement under the Securities Act of 1933 relating to the CEP Common Stock to be issued and reserved for issuance in connection with the Merger shall have become effective and shall not be the subject of any stop order or proceedings seeking a stop order.

3.8 IRS Rulings. REI will have received favorable rulings from the IRS to the effect that: (a) CEP's proposed distribution (the "Distribution") of the stock of Reliant Resources, Inc. currently owned by REI will be tax free to CEP and its shareholders and (b) the formation of the holding company and the Distribution will not negatively impact the tax treatment of REI's nuclear decommissioning trust.

#### ARTICLE 4

##### AMENDMENT AND TERMINATION

4.1 Amendment. REI and CEP, by mutual consent of their respective Boards of Directors, may amend, modify or supplement this Agreement in such manner as may be agreed upon by them in writing at any time before or after approval of this Agreement by the holders of REI Common Stock (as provided in Section 3.1 above); provided, however, that no such amendment, modification or supplement shall, if agreed to after such approval by the holders of REI Common Stock, materially and adversely affect the rights of the holders of REI Common Stock.

4.2 Termination. This Agreement may be terminated and the Merger and other transactions provided for by this Agreement may be abandoned at any time, whether before or after approval of this Agreement by the holders of REI Common Stock, by action of the Board of Directors of REI if such Board of Directors determines for any reason that the completion of the transactions provided for herein would for any reason be inadvisable or not in the best interests of REI or its shareholders. The parties hereto, and any officers or directors thereof, shall not have liability to any person, including, without limitation, any shareholder of REI, in the event of such termination.

#### ARTICLE 5

##### ADDITIONAL AGREEMENTS

###### 5.1 Assumption of Plans.

(a) Investors Choice Plan. At the Effective Time, CEP will succeed to and assume responsibility for the Investor's Choice Plan.

(b) Stock Based Employee Benefit Plans. At the Effective Time, CEP will succeed to and assume responsibility for the Reliant Energy, Incorporated Savings Plan, the Houston Industries Incorporated Long-Term Incentive Compensation Plan, the 1994 Houston Industries Incorporated Long-Term Incentive Compensation Plan, the Long Term Incentive Plan of Reliant Energy, Incorporated, the Reliant Energy, Incorporated Business Unit Performance Share Plan, the Reliant Energy, Incorporated and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees, the NorAm Energy Corp. 1994 Incentive Equity Plan, the Reliant Energy, Incorporated Supplemental Stock Plan for Outside Directors, the Houston Industries Incorporated Stock Benefit

Plan and the Houston Industries Incorporated Stock Plan for Outside Directors, (collectively referred to as the "Stock Based Plans"); and, by virtue of the Merger and without any action on the part of the holder thereof, each right or option under the Stock Based Plans to purchase or receive shares of REI Common Stock granted and outstanding immediately prior to the Effective Time shall be converted into and become a right or option to purchase or receive an equivalent number of shares of CEP Common Stock at the same price per share, and/or upon the same terms and subject to the same conditions and restrictions, as applicable, immediately prior to the Effective Time under the relevant right or option.

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CEP will reserve, for purposes of the Stock Based Plans, a number of shares of CEP Common Stock equivalent to the number of shares of REI Common Stock reserved by REI for such purposes immediately prior to the Effective Time.

(c) Other Benefit Plans. At the Effective Time, CEP will succeed to and assume responsibility for all other benefit- and employment-related plans, programs, contracts and agreements maintained by REI as in effect immediately prior to the Effective Time.

#### 5.2 Assumption of Indebtedness. As of the Effective Time:

(a) CEP and REI will execute and deliver assumption agreements pursuant to which CEP will expressly assume all of REI's obligations under REI's installment payment obligations relating to approximately \$1.4 billion of Pollution Control Bonds issued by various governmental authorities on behalf of REI, and

(b) CEP, REI and the Trustees under (i) the Subordinated Indenture dated as of September 1, 1999, between REI and Chase, as Trustee, (ii) the Indenture dated as of April 1, 1991, between Houston Industries Incorporated and The Bank of New York Trust Company of Florida, as Trustee, (iii) the Collateral Trust Indenture dated September 1, 1988, between REI (formerly known as Houston Lighting & Power Company ("HL&P")) and Chase (as successor to Texas Commerce Bank, National Association), as Trustee, (iv) the Junior Subordinated Indenture dated as of February 15, 1999, between REI and The Bank of New York, as Trustee, and (v) the Junior Subordinated Indenture dated February 1, 1997 between REI (formerly known as HL&P) and The Bank of New York, as Trustee, will execute and deliver supplemental indentures pursuant to which CEP will expressly assume all of REI's obligations under, and will become the primary obligor with respect to (i) \$1 billion 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029, (ii) \$100 million of Debentures with an interest rate of 7.875%, (iii) \$250 million of Medium-Term Notes with interest rates ranging from 6.5% to 8.15%, (iv) the Junior Subordinated Debentures related to and REI's guarantees of \$375 million of 7.20% trust preferred securities issued by REI Trust I, \$250 million of 8.125% trust preferred securities issued by HL&P Capital Trust I and \$100 million of 8.257% capital securities issued by HL&P Capital Trust II.

#### 5.3 Preferred Share Purchase Rights.

(a) Amendment of REI Rights Agreement. Prior to the Effective Time, REI will enter into an amendment to the REI Rights Agreement to preclude the Merger from triggering a distribution of rights under the REI Rights Agreement and provide that the REI Stock Purchase Rights shall expire upon the consummation of the Merger.

(b) Adoption of CEP Rights Agreement. Prior to the Effective Time, CEP will adopt the CEP Rights Agreement, which will be substantially

similar in form and substance to the REI Rights Agreement.

(c) Capitalization. Prior to the Effective Time, CEP will designate shares of CEP Series A Preferred Stock having terms and provisions substantially similar to, and a number of shares identical to, those of REI's Series A Preference Stock.

5.4 Election of Directors. Effective immediately prior to the Effective Time, REI, in its capacity as the sole shareholder of CEP, will elect each person who is then a member of the board of directors of REI as a director of CEP (and to be the only directors of CEP) in the classes indicated below, each of whom

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shall serve until the annual meeting of shareholders of CEP at which his or her term expires and until his successor shall have been elected and qualified:

CLASS I	CLASS III
James A. Baker, III	Milton Carroll
Richard E. Balzhiser, Ph.D.	John T. Cater
O. Holcombe Crosswell	R. Steve Letbetter
CLASS II	
Robert J. Cruikshank	
T. Milton Honea	
Laree E. Perez	

5.5 Listing of CEP Common Stock. CEP will use its best efforts to obtain, at or before the Effective Time, authorization to list, upon official notice of issuance, on the New York Stock Exchange and the Chicago Stock Exchange the CEP Common Stock issuable pursuant to the Merger together with the related CEP Stock Purchase Rights.

5.6 Redemption of REI Preferred Stock. Prior to the Effective Time, REI will redeem the 97,397 outstanding shares of REI Preferred Stock at a redemption price of approximately \$10,226,685 plus accrued and unpaid dividends to the date fixed for redemption.

5.7 Conversion. Immediately after the Effective Time, REI will use its best efforts to convert to a limited liability company under Texas law.

5.8 Contribution of Treasury Stock. Immediately prior to the Effective Time, REI will contribute to the capital of CEP all of the shares of REI Common Stock held by REI in its treasury, if any.

5.9 Approval of MergerCo Shareholder. CEP covenants and agrees that it will, as the sole member of Utility LLC, cause Utility LLC, as the sole shareholder of MergerCo, to vote all shares of common stock of MergerCo owned by Utility LLC to approve this Agreement.

ARTICLE 6

MISCELLANEOUS

6.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

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IN WITNESS WHEREOF, REI, CEP and MergerCo have each caused this Agreement and Plan of Merger to be executed by their respective officers thereunto authorized, all as of the date first written above.

RELIANT ENERGY, INCORPORATED,  
a Texas corporation

By: /s/ R. STEVE LETBETTER

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Name: R. Steve Letbetter

Its: Chairman, President and

Chief Executive Officer

RELIANT ENERGY MERGERCO, INC.,  
a Texas corporation

By: /s/ R. STEVE LETBETTER

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Name: R. Steve Letbetter

Its: President and Chief  
Executive Officer

CENTERPOINT ENERGY, INC.,  
a Texas corporation

By: /s/ DAVID M. MCCLANAHAN

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Name: David M. McClanahan

Its: Vice Chairman

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ANNEX B

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

CENTERPOINT ENERGY, INC.

## ARTICLE I

CenterPoint Energy, Inc., a Texas corporation (the "Company"), pursuant to the provisions of Article 4.07 of the Texas Business Corporation Act, hereby adopts these Amended and Restated Articles of Incorporation, which accurately copy the Articles of Incorporation of the Company and all amendments thereto that are in effect on the date hereof, as further amended by these Amended and Restated Articles of Incorporation as hereinafter set forth, and contain no other change in any provisions thereof.

## ARTICLE II

The Articles of Incorporation of the Company are amended by these Amended and Restated Articles of Incorporation as follows:

The amendments made by these Amended and Restated Articles of Incorporation (the "Amendments") alter or change Articles I, III, V, VI, VII, VIII, IX, X, XI and XII of the Articles of Incorporation. The full text of each provision altered or added is as set forth in Article V hereof.

## ARTICLE III

The Amendments have been effected in conformity with the provisions of the Texas Business Corporation Act, and the Amended and Restated Articles of Incorporation were duly adopted by all of the shareholders of the Company on November 1, 2001.

## ARTICLE IV

On that date there were 1,000 shares of Common Stock, without par value (the "Common Stock"), of the Company outstanding, all of which were entitled to vote on the Amendments. All 1,000 shares of Common Stock were voted in favor of the Amendments.

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## ARTICLE V

The Articles of Incorporation of the Company filed with the Secretary of State of the State of Texas on August 31, 2001, as previously amended on September 13, 2001 and October 9, 2001, are hereby superseded by the following Amended and Restated Articles of Incorporation, which accurately copy the entire text thereof as amended hereby:

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

CENTERPOINT ENERGY, INC.



ARTICLE I

The name of this corporation is CenterPoint Energy, Inc.

ARTICLE II

The purpose or purposes for which the corporation is incorporated is the transaction of all lawful business for which corporations may be incorporated under the Texas Business Corporation Act.

ARTICLE III

The street address of the corporation's registered office is c/o CT Corporation System, 1021 Main Street, Suite 1150, Houston, Texas 77002 and the name of its registered agent at such address is CT Corporation System.

ARTICLE IV

The period of duration of the corporation is perpetual.

ARTICLE V

(a) Number, Election and Terms of Directors. The number of directors of the corporation shall be such number as determined from time to time by a majority of the board of directors. From and after the first date (the "Public Status Date") as of which the corporation has a class or series of capital stock registered under the Securities Exchange Act of 1934, as amended, the directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall be as nearly equal in number of directors as possible. The initial terms of office of the directors of Class I shall expire at the first annual meeting of shareholders following the Public Status Date, of Class II shall expire at the second annual meeting of shareholders following the Public Status Date and of Class III shall expire at the third annual meeting of shareholders following the Public Status Date. At each annual meeting the number of directors equal to the number constituting the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

The number of directors presently constituting the board of directors is one, and the name and address of the person who is to serve as director until the next annual meeting of shareholders or until his successor is elected and qualified is:

NAME	ADDRESS
----	-----
R. Steve Letbetter	1111 Louisiana Houston, Texas 77002

(b) Removal of Directors. No director of the corporation shall be removed from his office as a director by vote or other action of the shareholders or otherwise except for cause, as defined below, and then only by the affirmative vote of the holders of at least a majority of voting power of all outstanding shares of capital stock of the corporation entitled to vote in the election of directors, voting together as a single class at a meeting of shareholders expressly called for that purpose.

Except as may otherwise be provided by law, cause for removal of a director shall be construed to exist only if: (a) the director whose removal is proposed has been convicted, or where a director is granted immunity to testify where another has been convicted, of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such director has been found by the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors called for that purpose or by a court of competent jurisdiction to have been negligent or guilty of misconduct in the performance of his duties to the corporation in a matter of substantial importance to the corporation; or (c) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his ability as a director of the corporation.

Notwithstanding the first paragraph of this Section (b), whenever holders of outstanding shares of Preferred Stock are entitled to elect members of the Board of Directors pursuant to the provisions established by the Board of Directors with respect to any series of Preferred Stock pursuant to Division A of Article VI of these Articles of Incorporation of the corporation, any director of the corporation so elected may be removed in accordance with the provisions established by the Board of Directors with respect to such Preferred Stock.

(c) Newly Created Directorships and Vacancies. Newly created directorships resulting from any increase in the number of directors may be filled by the affirmative vote of a majority of the directors then in office for a term of office continuing only until the next election of one or more directors by the shareholders entitled to vote thereon, or may be filled by election at an annual or special meeting of the shareholders called for that purpose; provided, however, that the Board of Directors shall not fill more than two such directorships during the period between two successive annual meetings of shareholders. Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause may be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or may be filled by election at an annual or special meeting of the shareholders called for that purpose. Any director elected to fill any such vacancy shall hold office for the remainder of the full term of the director whose departure from the Board of Directors created the vacancy and until such newly elected director's successor shall have been duly elected and qualified.

Notwithstanding the foregoing paragraph of this Section (c), whenever holders of outstanding shares of Preferred Stock are entitled to elect members of the Board of Directors pursuant to the provisions established by the Board of Directors with respect to any series of Preferred Stock pursuant to Division A of Article VI of these Articles of Incorporation, any vacancy or vacancies resulting by reason of the death, resignation, disqualification or removal of any director or directors or any increase in the number of directors shall be filled in accordance with such provisions.

(d) Amendment of Article V. In addition to any other affirmative vote required by applicable law, this Article V may not be amended, modified or repealed except by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all outstanding shares of capital stock of the corporation generally entitled to vote in the election of directors, voting together as a single class.

## ARTICLE VI

The number of shares of the total authorized capital stock of the corporation is 1,020,000,000 shares, of which 20,000,000 shares are classified as Preferred Stock, without par value, and the balance of 1,000,000,000 shares are classified as Common Stock, without par value.

The descriptions of the different classes of capital stock of the corporation and the preferences, designations, relative rights, privileges and powers, and the restrictions, limitations and qualifications thereof, of said classes of stock are as follows:

DIVISION A -- PREFERRED STOCK

The shares of Preferred Stock may be divided into and issued in one or more series, the relative rights, powers and preferences of which series may vary in any and all respects. The Board of Directors or a duly appointed committee of the Board of Directors is expressly vested with the authority to fix, by resolution or resolutions adopted prior to and providing for the issuance of any shares of each particular series of Preferred Stock and incorporate in a statement of resolutions filed with the Secretary of State of the State of Texas, the designations, powers, preferences, rights, qualifications, limitations and restrictions thereof, of the shares of each series of Preferred Stock, to the extent not provided for in these Articles of Incorporation, and with the authority to increase or decrease the number of shares within each such series; provided, however, that the Board of Directors may not decrease the number of shares within a series of Preferred Stock below the number of shares within such series that is then issued. The authority of the Board of Directors and any duly appointed committee thereof with respect to fixing the designations, powers, preferences, rights, qualifications, limitations and restrictions of each such series of Preferred Stock shall include, but not be limited to, determination of the following:

- (1) the distinctive designation and number of shares of that series;
- (2) the rate of dividends (or the method of calculation thereof) payable with respect to shares of that series, the dates, terms and other conditions upon which such dividends shall be payable, and the relative rights of priority of such dividends to dividends payable on any other class or series of capital stock of the corporation;
- (3) the nature of the dividend payable with respect to shares of that series as cumulative, noncumulative or partially cumulative, and if cumulative or partially cumulative, from which date or dates and under what circumstances;
- (4) whether shares of that series shall be subject to redemption, and, if made subject to redemption, the times, prices, rates, adjustments and other terms and conditions of such redemption (including the manner of selecting shares of that series for redemption if fewer than all shares of such series are to be redeemed);
- (5) the rights of the holders of shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation (which rights may be different if such action is voluntary than if it is involuntary), including the relative rights of priority in such event as to the rights of the holders of any other class or series of capital stock of the corporation;
- (6) the terms, amounts and other conditions of any sinking or similar purchase or other fund provided for the purchase or redemption of shares of that series;
- (7) whether shares of that series shall be convertible into or exchangeable for shares of capital stock or other securities of the corporation or of any other corporation or entity, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;
- (8) the extent, if any, to which the holders of shares of that series shall be entitled (in addition to any voting rights provided by law) to vote as a class or otherwise with respect to the election of directors or otherwise;
- (9) the restrictions and conditions, if any, upon the issue or reissue of any additional Preferred Stock ranking on a parity with or prior to shares of that series as to dividends or upon liquidation, dissolution or winding up;

(10) any other repurchase obligations of the corporation, subject to any limitations of applicable law; and

(11) any other designations, powers, preferences, rights, qualifications, limitations or restrictions of shares of that series.

Any of the designations, powers, preferences, rights, qualifications, limitations or restrictions of any series of Preferred Stock may be dependent on facts ascertainable outside these Articles of Incorporation, or outside the resolution or resolutions providing for the issue of such series of Preferred Stock adopted by the Board of Directors or a duly appointed committee thereof pursuant to authority expressly vested in it by these Articles of Incorporation. Except as applicable law or these Articles of Incorporation otherwise may require, the terms of any series of Preferred Stock may be amended without consent of the holders of any other series of Preferred Stock or any class of capital stock of the corporation.

The relative powers, preferences and rights of each series of Preferred Stock in relation to the powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time in the resolution or resolutions adopted pursuant to the authority granted in this Division A of this Article VI, and the consent, by class or series vote or otherwise, of holders of Preferred Stock of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance of any other series of Preferred Stock, whether or not the powers, preferences and rights of such other series shall be fixed as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the resolution or resolutions adopted with respect to any series of Preferred Stock may provide that the consent of holders of at least a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of shares of any or all other series of Preferred Stock.

Shares of any series of Preferred Stock shall have no voting rights except as required by law or as provided in the relative powers, preferences and rights of such series.

#### DIVISION B -- COMMON STOCK

1. Dividends. Dividends may be paid on the Common Stock, as the Board of Directors shall from time to time determine, out of any assets of the corporation available for such dividends after full cumulative dividends on all outstanding shares of capital stock of all series ranking senior to the Common Stock in respect of dividends and liquidation rights (referred to in this Division B as "stock ranking senior to the Common Stock") have been paid, or declared and a sum sufficient for the payment thereof set apart, for all past quarterly dividend periods, and after or concurrently with making payment of or provision for dividends on the stock ranking senior to the Common Stock for the then current quarterly dividend period.

2. Distribution of Assets. In the event of any liquidation, dissolution or winding up of the corporation, or any reduction or decrease of its capital stock resulting in a distribution of assets to the holders of its Common Stock, after there shall have been paid to or set aside for the holders of the stock ranking senior to the Common Stock the full preferential amounts to which they are respectively entitled, the holders of the Common Stock shall be entitled to receive, pro rata, all of the remaining assets of the corporation available for distribution to its shareholders. The Board of Directors, by vote of a majority of the members thereof, may distribute in kind to the holders of the Common Stock such remaining assets of the corporation, or may sell, transfer or otherwise dispose of all or any of the remaining property and assets of the corporation to any other corporation or other purchaser and receive payment therefor wholly or partly in cash or property, and/or in stock of any such corporation, and/or in obligations of such corporation or other purchaser, and may sell all or any part of the consideration received therefor and distribute the same or the proceeds thereof to the holders of the Common Stock.

3. Voting Rights. Subject to the voting rights expressly conferred under prescribed conditions upon the stock ranking senior to the Common Stock, the holders of the Common Stock shall exclusively possess full voting power for the

election of directors and for all other purposes.

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#### DIVISION C -- PROVISIONS APPLICABLE TO ALL CLASSES OF STOCK

1. Preemptive Rights. No holder of any stock of the corporation shall be entitled as of right to purchase or subscribe for any part of any unissued or treasury stock of the corporation, or of any additional stock of any class, to be issued by reason of any increase of the authorized capital stock of the corporation, or to be issued from any unissued or additionally authorized stock, or of bonds, certificates of indebtedness, debentures or other securities convertible into stock of the corporation, but any such unissued or treasury stock, or any such additional authorized issue of new stock or securities convertible into stock, may be issued and disposed of by the Board of Directors to such persons, firms, corporations or associations, and upon such terms as the Board of Directors may, in its discretion, determine, without offering to the shareholders then of record, or any class of shareholders, any thereof, on the same terms or any terms.

2. Votes Per Share. Any shareholder of the corporation having the right to vote at any meeting of the shareholders or of any class or series thereof, shall be entitled to one vote for each share of stock held by him, provided that no holder of Common Stock of the corporation shall be entitled to cumulate his votes for the election of one or more directors or for any other purpose.

#### ARTICLE VII

The corporation has heretofore complied with the requirements of law as to the initial minimum capital requirements without which it could not commence business under the Texas Business Corporation Act.

#### ARTICLE VIII

(a) Bylaws. The Board of Directors shall have the power to alter, amend or repeal the Bylaws or adopt new Bylaws. Any alteration, amendment or repeal of the Bylaws or adoption of new Bylaws shall require: (1) the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors or (2) the affirmative vote of the holders of at least 80% of the voting power of all the shares of the corporation entitled to vote in the election of directors, voting together as a single class.

(b) Amendment of Article VIII. In addition to any other affirmative vote required by applicable law, this Article VIII may not be amended, modified or repealed except by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all outstanding shares of capital stock of the corporation generally entitled to vote in the election of directors, voting together as a single class.

#### ARTICLE IX

A director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for any act or omission in the director's capacity as a director, except that this Article IX does not eliminate or limit the liability of a director for:

(a) a breach of the director's duty of loyalty to the corporation or its shareholders;

(b) an act or omission not in good faith that constitutes a breach of

duty of the director to the corporation or an act or omission that involves intentional misconduct or a knowing violation of the law;

(c) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of a director's office;

(d) an act or omission for which the liability of a director is expressly provided for by statute.

If the Texas Miscellaneous Corporation Laws Act or the Texas Business Corporation Act is amended, after approval of the foregoing paragraph by the shareholder or shareholders of the corporation entitled to vote thereon, to authorize action further eliminating or limiting the personal liability of directors, then the

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liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by such statutes, as so amended. Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

#### ARTICLE X

To the extent permitted by applicable law, and except as provided herein, the vote of shareholders required for approval of any action that is recommended to shareholders by the Board of Directors and for which applicable law requires a shareholder vote, including without limitation (1) any plan of merger, consolidation or exchange, (2) any disposition of assets, (3) any dissolution of the corporation, and (4) any amendment of these Articles of Incorporation, shall, if a greater vote of shareholders is provided for by the Texas Business Corporation Act or other applicable law, instead be the affirmative vote of the holders of a majority of the outstanding shares entitled to vote thereon, unless any class or series of shares is entitled to vote as a class thereon, in which event the vote required shall be the affirmative vote of the holders of a majority of the outstanding shares within each class or series of shares entitled to vote thereon as a class and at least a majority of the outstanding shares otherwise entitled to vote thereon. The foregoing shall not apply to any action or shareholder vote authorized or required by any addition, amendment or modification to applicable law that becomes effective after the date of execution of these Amended and Restated Articles of Incorporation if and to the extent a bylaw adopted by the Board of Directors or the shareholders so provides. Any repeal, amendment or modification of any such bylaw so adopted shall require the same vote of shareholders as would be required to approve the action or vote subject to such bylaw had the first sentence of this Article X not applied to such action or vote.

#### ARTICLE XI

(a) Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President, the Secretary or the Board of Directors. Subject to the provisions of the corporation's Bylaws governing special meetings, holders of not less than 50% of all of the shares of capital stock of the corporation outstanding and entitled to vote at such meeting may also call a special meeting of shareholders by furnishing the corporation a written request which states the purpose or purposes of the proposed meeting in the manner set forth in the Bylaws.

(b) Amendment of Article XI. In addition to any other affirmative vote required by applicable law, this Article XI may not be amended, modified or repealed except by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all outstanding shares of capital stock of the corporation generally entitled to vote in the election of directors, voting together as a single class.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation this 2nd day of November, 2001.

/s/ RUFUS S. SCOTT

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Rufus S. Scott

Vice President, Deputy General Counsel  
and Assistant Corporate Secretary

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ANNEX C

AMENDED AND RESTATED BYLAWS

OF

CENTERPOINT ENERGY, INC.

(ADOPTED AND AMENDED BY RESOLUTION

OF THE BOARD OF DIRECTORS ON

NOVEMBER 1, 2001)

ARTICLE I

CAPITAL STOCK

SECTION 1. Share Ownership. Shares for the capital stock of the Company may be certificated or uncertificated. Owners of shares of the capital stock of the Company shall be recorded in the share transfer records of the Company and ownership of such shares shall be evidenced by a certificate or book entry notation in the share transfer records of the Company. Any certificates representing such shares shall be signed by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President or a Vice President and either the Secretary or an Assistant Secretary and shall be sealed with the seal of the Company, which signatures and seal may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer at the date of its issuance.

SECTION 2. Shareholders of Record. The Board of Directors of the Company may appoint one or more transfer agents or registrars of any class of stock of the Company. The Company may be its own transfer agent if so appointed by the Board of Directors. The Company shall be entitled to treat the holder of record of any shares of the Company as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or any rights deriving from such shares, on the part of any other person, including (but without limitation) a purchaser, assignee or transferee, unless and until such other person becomes the holder of record of such shares, whether or not the Company shall have either actual or constructive notice of the interest of such other person.

SECTION 3. Transfer of Shares. The shares of the capital stock of the Company shall be transferable in the share transfer records of the Company by the holder of record thereof, or his duly authorized attorney or legal representative. All certificates representing shares surrendered for transfer, properly endorsed, shall be canceled and new certificates for a like number of

shares shall be issued therefor. In the case of lost, stolen, destroyed or mutilated certificates representing shares for which the Company has been requested to issue new certificates, new certificates or other evidence of such new shares may be issued upon such conditions as may be required by the Board of Directors or the Secretary for the protection of the Company and any transfer agent or registrar. Uncertificated shares shall be transferred in the share transfer records of the Company upon the written instruction originated by the appropriate person to transfer the shares.

SECTION 4. Shareholders of Record and Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive a distribution by the Company (other than a distribution involving a purchase or redemption by the Company of any of its own shares) or a share dividend, or in order to make a determination of shareholders for any other proper purpose (other than determining shareholders entitled to consent to action by shareholders proposed to be taken without a meeting of shareholders), the Board of Directors may provide that the share transfer records shall be closed for a stated period of not more than 60 days, and in the case of a meeting of shareholders not less than ten days, immediately preceding the meeting, or it may fix in advance a record date for any such determination of shareholders, such date to be not more than 60 days, and in the case of a meeting of shareholders not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the

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share transfer records are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Company of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as herein provided, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the share transfer records and the stated period of closing has expired.

## ARTICLE II

### MEETINGS OF SHAREHOLDERS

SECTION 1. Place of Meetings. All meetings of shareholders shall be held at the registered office of the Company, in the City of Houston, Texas, or at such other place within or without the State of Texas as may be designated by the Board of Directors or officer calling the meeting.

SECTION 2. Annual Meeting. The annual meeting of the shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors or as may otherwise be stated in the notice of the meeting. Failure to designate a time for the annual meeting or to hold the annual meeting at the designated time shall not work a dissolution of the Company.

SECTION 3. Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President, the Secretary or the Board of Directors. Special meetings of shareholders shall be called by the President or the Secretary of the Company on the written request of the holders of shares of capital stock of the Company constituting at least the percentage of outstanding shares of capital stock of the Company entitled to vote at such meeting that the Articles of Incorporation (as Section 4 of this Article II defines that term) specify as the minimum percentage necessary to call a special meeting of the shareholders (or in the absence of such specification, the minimum percentage necessary to call a special meeting that the Texas Business Corporation Act, as amended (the "TBCA"), specifies). Such request shall (a) state the purpose or purposes of that meeting and the matters proposed to be acted on at that meeting, (b) the name and address, as they appear on the Company's books and records, of the shareholder proposing such business, (c) evidence reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of capital stock of the Company of which such shareholder is the beneficial owner, (d) a description of all



arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (e) a representation that such shareholder intends to appear in person or by proxy at the special meeting to bring such business before the meeting. Upon receipt of such request and any related notice required by these Bylaws, the Board of Directors shall set a date for the special meeting, set a record date in accordance with Section 4 of Article I, and shall cause an appropriate officer of the Company to give the notice required under Section 4 of this Article II. This Section 3 shall be subject to the rights, if any, of holders of any class or series of capital stock of the Company to call special meetings.

SECTION 4. Notice of Meeting. Written or printed notice of all meetings stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called (which may include, in the case of any special meeting called at the written request of shareholders pursuant to the provisions of Section 3 of this Article II, any purpose or purposes (in addition to the purpose or purposes stated by the requesting shareholders pursuant to Section 3 of this Article II) as the Board of Directors may determine), shall be delivered not less than ten nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President, the Secretary or the officer or person calling the meeting to each shareholder of record entitled to vote at such meetings. If mailed, such

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notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the share transfer records of the Company, with postage thereon prepaid.

Any notice required to be given to any shareholder, under any provision of the TBCA, the Articles of Incorporation of the Company (as amended from time to time and including each statement respecting any class or series of preferred stock of the Company which has been filed by the Company in accordance with the provisions of Article 2.13 of the TBCA, the "Articles of Incorporation") or these Bylaws, need not be given to a shareholder if notice of two consecutive annual meetings and all notices of meetings held during the period between those annual meetings, if any, or all (but in no event less than two) payments (if sent by first class mail) of distributions or interest on securities during a 12-month period have been mailed to that person, addressed at his address as shown on the share transfer records of the Company, and have been returned undeliverable. Any action or meeting taken or held without notice to such person shall have the same force and effect as if the notice had been duly given. If such a person delivers to the Company a written notice setting forth his then current address, the requirement that notice be given to that person shall be reinstated.

SECTION 5. Voting List. The officer or agent having charge of the share transfer records for shares of the Company shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Company and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share transfer records shall be prima facie evidence as to who are the shareholders entitled to examine such list or to vote at any meeting of shareholders. Failure to comply with any requirements of this Section 5 shall not affect the validity of any action taken at such meeting.

SECTION 6. Voting; Proxies. Except as otherwise provided in the Articles of Incorporation or as otherwise provided in the TBCA, each holder of shares of capital stock of the Company entitled to vote shall be entitled to one vote for each share standing in his name on the records of the Company, either in person or by proxy executed in writing by him or by his duly authorized attorney-in-fact. A proxy shall be revocable unless expressly provided therein to be irrevocable and the proxy is coupled with an interest. At each election of directors, every holder of shares of the Company entitled to vote shall have the

right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, and for whose election he has a right to vote, but in no event shall he be permitted to cumulate his votes for one or more directors.

SECTION 7. Quorum and Vote of Shareholders. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, the holders of a majority of shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders, but, if a quorum is not represented, a majority in interest of those represented may adjourn the meeting from time to time. Directors shall be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present. With respect to each matter other than the election of directors as to which no other voting requirement is specified by law, the Articles of Incorporation or in this Section 7 or in Article VII of these Bylaws, the affirmative vote of the holders of a majority of the shares entitled to vote on that matter and represented in person or by proxy at a meeting at which a quorum is present shall be the act of the shareholders. With respect to a matter submitted to a vote of the shareholders as to which a shareholder approval requirement is applicable under the shareholder approval policy of the New York Stock Exchange, Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any provision of the Internal Revenue Code, in each case for which no higher voting requirement is specified by law, the Articles of Incorporation or these Bylaws, the affirmative vote of the holders of a majority of the shares entitled to vote on, and voted for or against, that matter at a meeting at which a quorum is present shall be the act of the shareholders,

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provided that approval of such matter shall also be conditioned on any more restrictive requirement of such shareholder approval policy, Rule 16b-3 or Internal Revenue Code provision, as applicable, being satisfied. With respect to the approval of independent public accountants (if submitted for a vote of the shareholders), the affirmative vote of the holders of a majority of the shares entitled to vote on, and voted for or against, that matter at a meeting of shareholders at which a quorum is present shall be the act of the shareholders.

SECTION 8. Presiding Officer and Conduct of Meetings. The Chairman of the Board, if there is one, or in his absence, the Chief Executive Officer, if there is one, or in his absence, the President shall preside at all meetings of the shareholders or, if such officers are not present at a meeting, by such other person as the Board of Directors shall designate or if no such person is designated by the Board of Directors, the most senior officer of the Company present at the meeting. The Secretary of the Company, if present, shall act as secretary of each meeting of shareholders; if he is not present at a meeting, then such person as may be designated by the presiding officer shall act as secretary of the meeting. Meetings of shareholders shall follow reasonable and fair procedure. Subject to the foregoing, the conduct of any meeting of shareholders and the determination of procedure and rules shall be within the absolute discretion of the officer presiding at such meeting (the "Chairman of the Meeting"), and there shall be no appeal from any ruling of the Chairman of the Meeting with respect to procedure or rules. Accordingly, in any meeting of shareholders or part thereof, the Chairman of the Meeting shall have the sole power to determine appropriate rules or to dispense with theretofore prevailing rules. Without limiting the foregoing, the following rules shall apply:

(a) If disorder should arise which prevents continuation of the legitimate business of meeting, the Chairman of the Meeting may announce the adjournment of the meeting; and upon so doing, the meeting shall be immediately adjourned.

(b) The Chairman of the Meeting may ask or require that anyone not a bona fide shareholder or proxy leave the meeting.

(c) A resolution or motion proposed by a shareholder shall only be considered for vote of the shareholders if it meets the criteria of Article II, Section 9 (Proper Business -- Annual Meeting of Shareholders) or Article II, Section 10 (Proper Business -- Special Meeting of Shareholders), as the case may be. The Chairman of the Meeting may propose any resolution or motion for vote of the shareholders.

(d) The order of business at all meetings of shareholders shall be determined by the Chairman of the Meeting.

(e) The Chairman of the Meeting may impose any reasonable limits with respect to participation in the meeting by shareholders, including, but not limited to, limits on the amount of time taken up by the remarks or questions of any shareholder, limits on the number of questions per shareholder and limits as to the subject matter and timing of questions and remarks by shareholders.

(f) Before any meeting of shareholders, the Board of Directors may appoint three persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the Chairman of the Meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting of the shareholders and the number of such inspectors shall be three. If any person appointed as inspector fails to appear or fails or refuses to act, the Chairman of the Meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill such vacancy.

The duties of the inspectors shall be to:

(i) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies and ballots;

(ii) receive votes or ballots;

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(iii) hear and determine all challenges and questions in any way arising in connection with the vote;

(iv) count and tabulate all votes;

(v) report to the Board of Directors the results based on the information assembled by the inspectors; and

(vi) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

Notwithstanding the foregoing, the final certification of the results of the election or other matter acted upon at a meeting of shareholders shall be made by the Board of Directors.

All determinations of the Chairman of the Meeting shall be conclusive unless a matter is determined otherwise upon motion duly adopted by the affirmative vote of the holders of at least 80% of the voting power of the shares of capital stock of the Company entitled to vote in the election of directors held by shareholders present in person or represented by proxy at such meeting.

SECTION 9. Proper Business -- Annual Meeting of Shareholders. At any annual meeting of shareholders, only such business shall be conducted as shall be a proper subject for the meeting and shall have been properly brought before the meeting. To be properly brought before an annual meeting of shareholders, business (other than business relating to (i) any nomination or removal of directors, which are governed by Article III, Sections 2 and 8, or (ii) any alteration, amendment or repeal of the Bylaws or any adoption of new Bylaws, which is governed by Article VII hereof) must (a) be specified in the notice of such meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise be properly brought before the meeting by or at the direction of the Chairman of the Meeting or the Board of Directors (or any duly authorized committee thereof) or (c) otherwise (i) be properly requested to be brought before the meeting by a shareholder of record entitled to vote in the election of directors generally, in compliance with the provisions of this Section 9 and (ii) constitute a proper subject to be brought before such meeting. For business to be properly brought before an annual meeting of shareholders, any shareholder who intends to bring any matter (other than a matter relating to (i) any nomination or removal of directors, which are governed by Article III, Sections 2 and 8, or (ii) any alteration, amendment or repeal of the Bylaws or any adoption of new Bylaws, which is governed by Article VII hereof) before an annual meeting of shareholders and is entitled to vote on such matter must deliver written notice of such shareholder's intent to bring such matter before the annual meeting of shareholders, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company. Such notice must be received by the

Secretary not less than 90 days nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. In no event shall the public disclosure of an adjournment of an annual meeting of shareholders commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting of shareholders (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the Company's books and records, of the shareholder proposing such business, (c) evidence reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of capital stock of the Company of which such shareholder is the beneficial owner, (d) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (e) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. No business shall be conducted at an annual meeting of shareholders except in accordance with the procedures set forth in this Section 9. Beneficial ownership shall be determined in accordance with Rule 13d-3 under the Exchange Act. When

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used in these Bylaws, "person" has the meaning ascribed to such term in Section 2(a)(2) of the Securities Act of 1933, as amended, as the context may require.

Within 30 days after such shareholder shall have submitted the aforesaid items, the Secretary or the Board of Directors of the Company shall determine whether the proposed business has been properly requested to be brought before the annual meeting of shareholders and shall notify such shareholder in writing of its determination. If such shareholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Company determines that the proposed business otherwise has not been properly requested, then such proposal by such shareholder shall not be voted upon by the shareholders of the Company at such annual meeting of shareholders. The Chairman of the Meeting shall, if the facts warrant, determine and declare to the meeting that a proposal made by a shareholder of the Company pursuant to this Section 9 was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded.

Nothing in this Section 9 shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of the Board of Directors or the Company.

SECTION 10. Proper Business -- Special Meeting of Shareholders. At any special meeting of shareholders, only such business shall be conducted as shall have been stated in the notice of such meeting or shall otherwise have been properly brought before the meeting by or at the direction of the Chairman of the Meeting or the Board of Directors (or any duly authorized committee thereof).

### ARTICLE III

#### DIRECTORS

SECTION 1. Classification of Board of Directors; Qualifications. (a) The business and affairs of the Company shall be managed by the Board of Directors.

Each director elected by the holders of Preferred Stock pursuant to Division A of Article VI of the Articles of Incorporation (or elected by such directors to fill a vacancy) shall serve for a term ending upon the earlier of the election of his successor or the termination at any time of a right of the holders of Preferred Stock to elect members of the Board of Directors.

At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by

reason of any intervening changes in the authorized number of directors, the Board of Directors shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation, disqualification or removal. If any newly created directorship may, consistent with the rule that the three classes shall be as nearly equal in number of directors as possible, be allocated to any of the three classes, the Board of Directors shall allocate it to that available class whose term of office is due to expire at the earliest date following such allocation. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) No person shall be eligible to serve as a director of the Company subsequent to the annual meeting of shareholders occurring on or after the first day of the month immediately following the month of such person's seventieth birthday. Any vacancy on the Board of Directors resulting from any director being rendered ineligible to serve as a director of the Company by the immediately preceding sentence shall be filled pursuant to the terms of the Articles of Incorporation.

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No person shall continue to serve as a member of the Board of Directors if the director ceases for any reason to hold the principal employment or position he or she held at the time first elected to the Board of Directors and does not secure a comparable employment or position, as determined in the sole judgment of the Board of Directors, within one year thereof.

No person who is also an employee of the Company or one of its corporate affiliates shall continue to serve as a member of the Board of Directors after his or her retirement, termination or downward change in status in the Company, as determined in the sole judgment of the Board of Directors.

The Board of Directors may waive any qualification set forth above in this Section 1(b) if it determines that the director has special skill, experience or distinction having value to the Company that is not readily available or transferable. Any such waiver shall be made by a majority of the Board of Directors, excluding the director whose disqualification is being waived.

No person shall be eligible for election or reelection or to continue to serve as a member of the Board of Directors who is an officer, director, agent, representative, partner, employee, or nominee of, or otherwise acting at the direction of, or acting in concert with, (a) a "public-utility company" (other than any direct or indirect subsidiary of the Company) as such term is defined in Section 2(a)(5) of the Public Utility Holding Company Act of 1935, as in effect on May 1, 1996 (35 Act), or (b) an "affiliate" (as defined in either Section 2(a)(11) of the 35 Act or in Rule 405 under the Securities Act of 1933, as amended) of any such "public-utility company" specified in clause (a) immediately preceding.

Any vacancies on the Board of Directors resulting from the disqualification of a director by virtue of the above qualifications may be filled pursuant to the terms of the Articles of Incorporation.

The above qualifications and limitations notwithstanding, each director shall serve until his successor shall have been duly elected and qualified, unless he or she shall resign, become disqualified, disabled or shall otherwise be removed.

SECTION 2. Nomination of Directors. Nominations for the election of directors may be made by the Board of Directors or by any shareholder (the "Nominator") entitled to vote in the election of directors. Such nominations, other than those made by the Board of Directors, shall be made in writing pursuant to timely notice delivered to or mailed and received by the Secretary of the Company as set forth in this Section 2. To be timely in connection with an annual meeting of shareholders, a Nominator's notice, setting forth the name and address of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Company not less than 90 days nor more than 180 days prior to the date on which the immediately preceding

year's annual meeting of shareholders was held. To be timely in connection with any election of a director at a special meeting of the shareholders, a Nominator's notice, setting forth the name of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Company not less than 40 days nor more than 60 days prior to the date of such meeting; provided, however, that in the event that less than 47 days' notice or prior public disclosure of the date of the special meeting of the shareholders is given or made to the shareholders, the Nominator's notice to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. At such time, the Nominator shall also submit written evidence, reasonably satisfactory to the Secretary of the Company, that the Nominator is a shareholder of the Company and shall identify in writing (a) the name and address of the Nominator, (b) the number of shares of each class of capital stock of the Company owned beneficially by the Nominator, (c) the name and address of each of the persons with whom the Nominator is acting in concert, (d) the number of shares of capital stock beneficially owned by each such person with whom the Nominator is acting in concert, and (e) a description of all arrangements or understandings between the Nominator and each nominee and any other persons with whom the Nominator is acting in concert pursuant to which the nomination or nominations are to be made. At such time, the Nominator shall also submit in writing (i) the information with respect to each such proposed nominee that would be required to be provided in a proxy statement prepared in accordance with Regulation 14A under the Exchange Act and (ii) a notarized affidavit executed by each such proposed nominee to the effect that, if elected as a member of the Board

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of Directors, he will serve and that he is eligible for election as a member of the Board of Directors. Within 30 days (or such shorter time period that may exist prior to the date of the meeting) after the Nominator has submitted the aforesaid items to the Secretary of the Company, the Secretary of the Company shall determine whether the evidence of the Nominator's status as a shareholder submitted by the Nominator is reasonably satisfactory and shall notify the Nominator in writing of his determination. The failure of the Secretary of the Company to find such evidence reasonably satisfactory, or the failure of the Nominator to submit the requisite information in the form or within the time indicated, shall make the person to be nominated ineligible for nomination at the meeting at which such person is proposed to be nominated. The presiding person at each meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Beneficial ownership shall be determined in accordance with Rule 13d-3 under the Exchange Act.

SECTION 3. Place of Meetings and Meetings by Telephone. Meetings of the Board of Directors may be held either within or without the State of Texas, at whatever place is specified by the officer calling the meeting. Meetings of the Board of Directors may also be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting by means of conference telephone or similar communications equipment shall constitute presence in person at such meeting, except where a director participates in a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. In the absence of specific designation by the officer calling the meeting, the meetings shall be held at the principal office of the Company.

SECTION 4. Regular Meetings. The Board of Directors shall meet each year immediately following the annual meeting of the shareholders for the transaction of such business as may properly be brought before the meeting. The Board of Directors shall also meet regularly at such other times as shall be designated by the Board of Directors. No notice of any kind to either existing or newly elected members of the Board of Directors for such annual or regular meetings shall be necessary.

SECTION 5. Special Meetings. Special meetings of the Board of Directors may be held at any time upon the call of the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President or the Secretary of the Company or a majority of the directors then in office. Notice shall be sent by mail, facsimile or telegram to the last known address of the director at least two days before the meeting, or oral notice may be substituted for such written notice if received not later than the day preceding such

meeting. Notice of the time, place and purpose of such meeting may be waived in writing before or after such meeting, and shall be equivalent to the giving of notice. Attendance of a director at such meeting shall also constitute a waiver of notice thereof, except where he attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Except as otherwise provided by these Bylaws, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. Quorum and Voting. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, a majority of the number of directors fixed in the manner provided in these Bylaws as from time to time amended shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, the affirmative vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. Any regular or special directors' meeting may be adjourned from time to time by those present, whether a quorum is present or not.

SECTION 7. Compensation. Directors shall receive such compensation for their services as shall be determined by the Board of Directors.

SECTION 8. Removal. No proposal by a shareholder to remove a director of the Company, regardless of whether such director was elected by holders of outstanding shares of Preferred Stock (or

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elected by the directors to fill a vacancy), shall be voted upon at a meeting of the shareholders unless such shareholder shall have delivered or mailed in a timely manner (as set forth in this Section 8) and in writing to the Secretary of the Company (a) notice of such proposal, (b) a statement of the grounds, if any, on which such director is proposed to be removed, (c) evidence, reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of the capital stock of the Company beneficially owned by such shareholder, (d) a list of the names and addresses of other beneficial owners of shares of the capital stock of the Company, if any, with whom such shareholder is acting in concert, and of the number of shares of each class of the capital stock of the Company beneficially owned by each such beneficial owner, and (e) an opinion of counsel, which counsel and the form and substance of which opinion shall be reasonably satisfactory to the Board of Directors of the Company (excluding the director proposed to be removed), to the effect that, if adopted at a duly called special or annual meeting of the shareholders of the Company by the required vote as set forth in the Articles of Incorporation, such removal would not be in conflict with the laws of the State of Texas, the Articles of Incorporation or these Bylaws. To be timely in connection with an annual meeting of shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. To be timely in connection with the removal of any director at a special meeting of the shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than 40 days nor more than 60 days prior to the date of such meeting; provided, however, that in the event that less than 47 days' notice or prior public disclosure of the date of the special meeting of shareholders is given or made to the shareholders, the shareholder's notice and other aforesaid items to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. Within 30 days (or such shorter period that may exist prior to the date of the meeting) after such shareholder shall have delivered the aforesaid items to the Secretary of the Company, the Secretary and the Board of Directors of the Company shall respectively determine whether the items to be ruled upon by them are reasonably satisfactory and shall notify such shareholder in writing of their respective determinations. If such shareholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Company determines that the items to be ruled upon by them are not reasonably satisfactory, then such proposal by such shareholder may not be voted upon by the shareholders of the Company at such meeting of shareholders. The presiding person at each meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a proposal to remove a director of the Company was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine,

he shall so declare to the meeting and the defective proposal shall be disregarded. Beneficial ownership shall be determined as specified in accordance with Rule 13d-3 under the Exchange Act.

SECTION 9. Executive and Other Committees. The Board of Directors, by resolution or resolutions adopted by a majority of the full Board of Directors, may designate one or more members of the Board of Directors to constitute an Executive Committee, and one or more other committees, which shall in each case be comprised of such number of directors as the Board of Directors may determine from time to time. Subject to such restrictions as may be contained in the Articles of Incorporation or that may be imposed by the TBCA, any such committee shall have and may exercise such powers and authority of the Board of Directors in the management of the business and affairs of the Company as the Board of Directors may determine by resolution and specify in the respective resolutions appointing them, or as permitted by applicable law, including, without limitation, the power and authority to (a) authorize a distribution, (b) authorize the issuance of shares of the Company and (c) exercise the authority of the Board of Directors vested in it pursuant to Article 2.13 of the TBCA or such successor statute as may be in effect from time to time. Each duly-authorized action taken with respect to a given matter by any such duly-appointed committee of the Board of Directors shall have the same force and effect as the action of the full Board of Directors and shall constitute for all purposes the action of the full Board of Directors with respect to such matter.

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The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law, nor shall such committee function where action of the Board of Directors cannot be delegated to a committee thereof under applicable law. The Board of Directors shall have the power at any time to change the membership of any such committee and to fill vacancies in it. A majority of the members of any such committee shall constitute a quorum. The Board of Directors shall name a chairman at the time it designates members to a committee. Each such committee shall appoint such subcommittees and assistants as it may deem necessary. Except as otherwise provided by the Board of Directors, meetings of any committee shall be conducted in accordance with the provisions of Sections 4 and 6 of this Article III as the same shall from time to time be amended. Any member of any such committee elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Company will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of a member of a committee shall not of itself create contract rights.

#### ARTICLE IV

##### OFFICERS

SECTION 1. Officers. The officers of the Company shall consist of a President and a Secretary and such other officers and agents as the Board of Directors may from time to time elect or appoint. The Board of Directors may delegate to the Chairman of the Board and/or the Chief Executive Officer the authority to appoint and remove additional officers and agents of the Company. Each officer shall hold office until his successor shall have been duly elected or appointed and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any two or more offices may be held by the same person. Except for the Chairman of the Board, if any, no officer need be a director.

SECTION 2. Vacancies; Removal. Whenever any vacancies shall occur in any office by death, resignation, increase in the number of offices of the Company, or otherwise, the officer so elected shall hold office until his successor is chosen and qualified. Any officer of the Company may be removed at any time by the Board of Directors, whenever in its judgment the best interests of the Company will be served thereby, or, except in the case of an officer appointed by the Board of Directors, by the Chairman of the Board and/or the Chief Executive Officer on whom the power of removal is conferred by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.



SECTION 3. Powers and Duties of Officers. The officers of the Company shall have such powers and duties as generally pertain to their offices as well as such powers and duties as from time to time shall be conferred by the Board of Directors.

## ARTICLE V

### INDEMNIFICATION

SECTION 1. General. The Company shall indemnify and hold harmless the Indemnitee (as this and all other capitalized words are defined in this Article V or in Article 2.02-1 of the TBCA), to the fullest extent permitted, or not prohibited, by the TBCA or other applicable law as the same exists or may hereafter be amended (but in the case of any such amendment, with respect to Matters occurring before such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment). The provisions set forth below in this Article V are provided as means of furtherance and implementation of, and not in limitation on, the obligation expressed in this Section 1.

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SECTION 2. Advancement or Reimbursement of Expenses. The rights of the Indemnitee provided under Section 1 of this Article V shall include, but not be limited to, the right to be indemnified and to have Expenses advanced (including the payment of expenses before final disposition of a Proceeding) in all Proceedings to the fullest extent permitted, or not prohibited, by the TBCA or other applicable law. In addition, to the extent the Indemnitee is, by reason of his Corporate Status, a witness or otherwise participates in any Proceeding at a time when he is not named a defendant or respondent in the Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. The Indemnitee shall be advanced Expenses, within ten days after any request for such advancement, to the fullest extent permitted, or not prohibited, by Article 2.02-1 of the TBCA; provided that the Indemnitee has provided to the Company all affirmations, acknowledgments, representations and undertakings that may be required of the Indemnitee by Article 2.02-1 of the TBCA.

SECTION 3. Request for Indemnification. To obtain indemnification, the Indemnitee shall submit to the Secretary of the Company a written claim or request. Such written claim or request shall contain sufficient information to reasonably inform the Company about the nature and extent of the indemnification or advance sought by the Indemnitee. The Secretary of the Company shall promptly advise the Board of Directors of such request.

SECTION 4. Determination of Request. Upon written request to the Company by an Indemnitee for indemnification pursuant to these Bylaws, a determination, if required by applicable law, with respect to an Indemnitee's entitlement thereto shall be made in accordance with Article 2.02-1 of the TBCA; provided, however, that notwithstanding the foregoing, if a Change in Control shall have occurred, such determination shall be made by a Special Legal Counsel selected by the Board of Directors, unless the Indemnitee shall request that such determination be made in accordance with Article 2.02-1F (1) or (2). If entitlement to indemnification is to be determined by a Special Legal Counsel, the Company shall furnish notice to the Indemnitee within ten days after receipt of the claim or request for indemnification, specifying the identity and address of the Special Legal Counsel. The Indemnitee may, within fourteen days after receipt of such written notice of selection, deliver to the Company a written objection to such selection. Such objection may be asserted only on the ground that the Special Legal Counsel selected does not meet the requirements of a Special Legal Counsel as defined in Section 10 of this Article V, and the objection shall set forth with particularity the factual basis for that assertion. If there is an objection to the selection of the Special Legal Counsel, either the Company or the Indemnitee may petition the Court for a determination that the objection is without a reasonable basis and/or for the appointment of a Special Legal Counsel selected by the Court. The Company shall pay any and all reasonable fees and expenses of the Special Legal Counsel incurred in connection with any such determination. If a Change in Control shall have occurred, the Indemnitee shall be presumed (except as otherwise expressly provided in this Article) to be entitled to indemnification under this Article V upon submission of a request to the Company for indemnification, and thereafter the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. The presumption shall be

used by the Special Legal Counsel, or such other person or persons determining entitlement to indemnification, as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence or the investigation, review and analysis of the Special Legal Counsel or such other person or persons convinces him or them by clear and convincing evidence that the presumption should not apply.

SECTION 5. Effect of Certain Proceedings. The termination of any Proceeding or of any Matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Article V) of itself adversely affect the right of the Indemnatee to indemnification or create a presumption that (a) the Indemnatee did not conduct himself in good faith and in a manner which he reasonably believed, in the case of conduct in his official capacity as a director of the Company, to be in the best interests of the Company, or, in all other cases, that at least his conduct was not opposed to the Company's best interests, or (b) with respect to any criminal Proceeding, that the Indemnatee had reasonable cause to believe that his conduct was unlawful.

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SECTION 6. Expenses of Enforcement of Article. In the event that an Indemnatee, pursuant to this Article V, seeks a judicial adjudication to enforce his rights under, or to recover damages for breach of, rights created under or pursuant to this Article V, the Indemnatee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him in such judicial adjudication but only if he prevails therein. If it shall be determined in said judicial adjudication that the Indemnatee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by the Indemnatee in connection with such judicial adjudication shall be reasonably prorated in good faith by counsel for the Indemnatee. Notwithstanding the foregoing, if a Change in Control shall have occurred, the Indemnatee shall be entitled to indemnification under this Section 6 regardless of whether indemnatee ultimately prevails in such judicial adjudication.

SECTION 7. Nonexclusive Rights. The rights of indemnification and to receive advancement of Expenses as provided by this Article V shall not be deemed exclusive of any other rights to which the Indemnatee may at any time be entitled under applicable law, the Articles of Incorporation, these Bylaws, agreement, insurance, arrangement, a vote of shareholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Article V or any provision thereof shall be effective as to any Indemnatee for acts, events and circumstances that occurred, in whole or in part, before such amendment, alteration or repeal. The provisions of this Article V shall continue as to an Indemnatee whose Corporate Status has ceased and shall inure to the benefit of his heirs, executors and administrators.

SECTION 8. Invalidity. If any provision or provisions of this Article V shall be held to be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; and, to the fullest extent possible, the provisions of this Article V shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 9. Indemnification of Other Persons. The Company may, by adoption of a resolution of the Board of Directors, indemnify and advance expenses to any other person who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Section 1 or Section 2 of this Article V by reason of that person's Corporate Status to the same extent and subject to the same conditions (or to a lesser extent and/or with other conditions as the Board of Directors may determine) under which it may indemnify and advance expenses to an Indemnatee under this Article V.

SECTION 10. Definitions. For purposes of this Article V:

"Change of Control" means a change in control of the Company occurring after the date of adoption of these Bylaws in any of the following circumstances: (a) there shall have occurred an event required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; (b) any "person" (as such term is used in Section

13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall have become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities without prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest; (c) the Company is a party to a merger, consolidation, share exchange, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; (d) during any fifteen-month period, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in

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office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

"Corporate Status" describes the status of a person as a director, officer, partner, venturer, proprietor, trustee, employee (including an employee acting in his Designated Professional Capacity), or agent or similar functionary of the Company or of any other foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise which such person is or was serving in such capacity at the request of the Company. The Company hereby acknowledges that unless and until the Company provides the Indemnatee with written notice to the contrary, the Indemnatee's service as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of an Affiliate of the Company shall be conclusively presumed to be at the Company's request. An Affiliate of the Company shall be deemed to be (a) any foreign or domestic corporation in which the Company owns or controls, directly or indirectly, 5% or more of the shares entitled to be voted in the election of directors of such corporation; (b) any foreign or domestic partnership, joint venture, proprietorship or other enterprise in which the Company owns or controls, directly or indirectly, 5% or more of the revenue interests in such partnership, joint venture, proprietorship or other enterprise; or (c) any trust or employee benefit plan the beneficiaries of which include the Company, any Affiliate of the Company as defined in the foregoing clauses (a) and (b) or any of the directors, officers, partners, venturers, proprietors, employees, agents or similar functionaries of the Company or of such Affiliates of the Company.

"Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

"Indemnatee" includes any officer or director of the Company who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Section 1 or Section 2 of this Article V by reason of his Corporate Status.

"Matter" is a claim, a material issue, or a substantial request for relief.

"Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution proceeding, investigation, administrative hearing and any other proceeding, whether civil, criminal, administrative, investigative or other, any appeal in such action, suit, arbitration, proceeding or hearing, or any inquiry or investigation, whether conducted by or on behalf of the Company, a subsidiary of the Company or any other party, formal or informal, that the Indemnatee in good faith believes might lead to the institution of any such action, suit, arbitration, proceeding, investigation or hearing, except one initiated by

an Indemnitee pursuant to Section 6 of this Article V.

"Special Legal Counsel" means a law firm, or member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the five years previous to his selection or appointment has been, retained to represent: (a) the Company or the Indemnitee in any matter material to either such party; (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder; or (c) the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding voting securities. Notwithstanding the foregoing, the term "Special Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights to indemnification under these Bylaws.

For the purposes of this Article V, an employee acting in his "Designated Professional Capacity" shall include, but not be limited to, a physician, nurse, psychologist or therapist, registered surveyor, registered engineer, registered architect, attorney, certified public accountant or other person who renders such professional services within the course and scope of his employment, who is licensed by

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appropriate regulatory authorities to practice such profession and who, while acting in the course of such employment, committed or is alleged to have committed any negligent acts, errors or omissions in rendering such professional services at the request of the Company or pursuant to his employment (including, without limitation, rendering written or oral opinions to third parties).

SECTION 11. Notice. Any communication required or permitted to the Company under this Article V shall be addressed to the Secretary of the Company and any such communication to the Indemnitee shall be addressed to the Indemnitee's home address unless he specifies otherwise and shall be personally delivered or delivered by overnight mail or courier delivery.

SECTION 12. Insurance and Self-Insurance Arrangements. The Company may procure or maintain insurance or other similar arrangements, at its expense, to protect itself and any Indemnitee against any expense, liability or loss asserted against or incurred by such person, incurred by him in such a capacity or arising out of his Corporate Status as such a person, whether or not the Company would have the power to indemnify such person against such expense or liability. In considering the cost and availability of such insurance, the Company (through the exercise of the business judgment of its directors and officers) may, from time to time, purchase insurance which provides for any and all of (a) deductibles, (b) limits on payments required to be made by the insurer, or (c) coverage which may not be as comprehensive as that previously included in insurance purchased by the Company. The purchase of insurance with deductibles, limits on payments and coverage exclusions will be deemed to be in the best interest of the Company but may not be in the best interest of certain of the persons covered thereby. As to the Company, purchasing insurance with deductibles, limits on payments, and coverage exclusions is similar to the Company's practice of self-insurance in other areas. In order to protect the Indemnitees who would otherwise be more fully or entirely covered under such policies, the Company shall indemnify and hold each of them harmless as provided in Section 1 or Section 2 of this Article V, without regard to whether the Company would otherwise be entitled to indemnify such officer or director under the other provisions of this Article, or under any law, agreement, vote of shareholders or directors or other arrangement, to the extent (i) of such deductibles, (ii) of amounts exceeding payments required to be made by an insurer or (iii) that prior policies of officer's and director's liability insurance held by the Company or its predecessors would have provided for payment to such officer or director. Notwithstanding the foregoing provision of this Section 12, no Indemnitee shall be entitled to indemnification for the results of such person's conduct that is intentionally adverse to the interests of the Company. This Section 12 is authorized by Section 2.02-1(R) of the TBCA as in effect on August 31, 2001, and further is intended to establish an arrangement of self-insurance pursuant to that section.

## MISCELLANEOUS PROVISIONS

SECTION 1. Offices. The principal office of the Company shall be located in Houston, Texas, unless and until changed by resolution of the Board of Directors. The Company may also have offices at such other places as the Board of Directors may designate from time to time, or as the business of the Company may require. The principal office and registered office may be, but need not be, the same.

SECTION 2. Resignations. Any director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the Chairman of the Board, if there is one, the Chief Executive Officer, if there is one, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

SECTION 3. Seal. The Corporate Seal shall be circular in form, shall have inscribed thereon the name of the Company and may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

SECTION 4. Separability. If one or more of the provisions of these Bylaws shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other

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provision hereof and these Bylaws shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

## ARTICLE VII

### AMENDMENT OF BYLAWS

SECTION 1. Vote Requirements. The Board of Directors shall have the power to alter, amend or repeal the Bylaws or adopt new Bylaws. Any alteration, amendment or repeal of the Bylaws or adoption of new Bylaws shall require: (1) the affirmative vote of at least 80% of all directors then in office at any regular or special meeting of the Board of Directors or (2) the affirmative vote of the holders of at least 80% of the voting power of all the shares of the corporation entitled to vote in the election of directors, voting together as a single class.

SECTION 2. Shareholder Proposals. No proposal by a shareholder made pursuant to Article VIII of the Articles of Incorporation and Section 1 of this Article VII may be voted upon at an annual meeting of shareholders unless such shareholder shall have delivered or mailed in a timely manner (as set forth in this Section 2) and in writing to the Secretary of the Company (a) notice of such proposal and the text of the proposed alteration, amendment or repeal, (b) evidence reasonably satisfactory to the Secretary of the Company, of such shareholder's status as such and of the number of shares of each class of capital stock of the Company of which such shareholder is the beneficial owner, (c) a list of the names and addresses of other beneficial owners of shares of the capital stock of the Company, if any, with whom such shareholder is acting in concert, and the number of shares of each class of capital stock of the Company beneficially owned by each such beneficial owner and (d) an opinion of counsel, which counsel and the form and substance of which opinion shall be reasonably satisfactory to the Board of Directors of the Company, to the effect that the Bylaws (if any) resulting from the adoption of such proposal would not be in conflict with the Articles of Incorporation or the laws of the State of Texas. To be timely in connection with an annual meeting of shareholders, a shareholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Company not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held. In no event shall the public disclosure of an adjournment of an annual meeting of shareholders commence a new time period for the giving of a shareholder's notice as described above.

Within 30 days after such shareholder shall have submitted the aforesaid items, the Secretary or the Board of Directors of the Company shall determine whether the items to be ruled upon by them are reasonably satisfactory and shall

notify such shareholder in writing of its determination. If such shareholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Company determines that the items to be ruled upon by them are not reasonably satisfactory, then such proposal by such shareholder may not be voted upon by the shareholders of the Company at such annual meeting of shareholders. The Chairman of the Meeting shall, if the facts warrant, determine and declare to the meeting that a proposal by a shareholder of the Company made pursuant to Article VIII of the Articles of Incorporation and Section 1 of this Article VII was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded. Beneficial ownership shall be determined in accordance with Rule 13d-3 under the Exchange Act.

Nothing in this Section 2 shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of the Board of Directors or the Company.

No proposal by a shareholder made pursuant to Article VIII of the Articles of Incorporation and Section 1 of this Article VII shall be voted upon at a special meeting of shareholders unless such proposal has been stated in the notice of such special meeting or shall otherwise have been properly brought before the meeting by or at the direction of the Chairman of the Meeting or the Board of Directors (or any duly authorized committee thereof).

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## PART II

### INFORMATION NOT REQUIRED IN PROSPECTUS

#### ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article 2.02.A.(16) and Article 2.02-1 of the Texas Business Corporation Act and Article V of the Company's Amended and Restated Bylaws provide the Company with broad powers and authority to indemnify its directors and officers and to purchase and maintain insurance for such purposes. Pursuant to such statutory and Bylaw provisions, the Company has purchased insurance against certain costs of indemnification that may be incurred by it and by its officers and directors.

Additionally, Article IX of the Company's Amended and Restated Articles of Incorporation provides that a director of the Company is not liable to the Company or its shareholders for monetary damages for any act or omission in the director's capacity as director, except that Article IX does not eliminate or limit the liability of a director for (i) any breach of such director's duty of loyalty to the Company or its shareholders, (ii) any act or omission not in good faith that constitutes a breach of duty of such director to the Company or an act or omission that involves intentional misconduct or a knowing violation of law, (iii) a transaction from which such director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office, or (iv) an act or omission for which the liability of a director is expressly provided for by statute.

Article IX also provides that any subsequent amendments to Texas statutes that further limit the liability of directors will inure to the benefit of the directors, without any further action by shareholders. Any repeal or modification of Article IX shall not adversely affect any right of protection of a director of the Company existing at the time of the repeal or modification.

#### ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

EXHIBIT  
NUMBER

DESCRIPTION

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2	--	Form of Agreement and Plan of Merger, dated as of October 19, 2001, by and among Reliant Energy, Incorporated, CenterPoint Energy, Inc. and Reliant Energy MergerCo, Inc. (included as Annex A to the Joint Proxy Statement/Prospectus contained in Part I of this Registration Statement).
3.1	--	Amended and Restated Articles of Incorporation of CenterPoint Energy, Inc. (included as Annex B to the Joint Proxy Statement/Prospectus contained in Part I of this Registration Statement).
3.2	--	Amended and Restated Bylaws of CenterPoint Energy, Inc. (included as Annex C to the Joint Proxy Statement/Prospectus contained in Part I of this Registration Statement).
3.3	--	Form of Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy, Inc.
4.1	--	Form of CenterPoint Energy, Inc. Stock Certificate.
4.2	--	Form of Rights Agreement.
5	--	Opinion of Baker Botts L.L.P. regarding the validity of the shares of common stock of CenterPoint Energy, Inc. to be issued in connection with the Agreement and Plan of Merger.
8	--	Opinion of Baker Botts L.L.P. regarding the federal income tax consequences of the Agreement and Plan of Merger.
23.1	--	Consent of Deloitte & Touche LLP.
23.2	--	Consent of Baker Botts L.L.P. (included in Exhibits 5 and 8).
24*	--	Powers of Attorney.
99.1	--	Form of Reliant Energy, Incorporated Proxy.
99.2*	--	Consent of James A. Baker, III
99.3*	--	Consent of Richard E. Balzhiser, Ph.D.

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EXHIBIT  
NUMBER

DESCRIPTION

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99.4*	--	Consent of Milton Carroll
99.5*	--	Consent of John T. Cater
99.6*	--	Consent of O. Holcombe Crosswell
99.7*	--	Consent of Robert J. Cruikshank
99.8*	--	Consent of T. Milton Honea
99.9*	--	Consent of Laree E. Perez
99.10*	--	Consent of David M. McClanahan
99.11*	--	Consent of Scott E. Rozzell
99.12*	--	Consent of Gary L. Whitlock
99.13	--	Consent of Stephen C. Schaeffer

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\* Previously filed.

(b) Financial Statement Schedules.

Not Applicable.

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(a) that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(b) that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form;

(c) that every prospectus (i) that is filed pursuant to paragraph (b) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(d) to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request; and

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(e) to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

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

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant



has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 5, 2001.

CENTERPOINT ENERGY, INC.

BY: /s/ R. STEVE LETBETTER

-----  
R. Steve Letbetter  
Chairman, President and Chief  
Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ R. STEVE LETBETTER ----- R. Steve Letbetter	Chairman, President, Chief Executive Officer and Sole Director (Principal Executive Officer)	November 5, 2001
/s/ STEPHEN W. NAEVE ----- Stephen W. Naeve	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	November 5, 2001
/s/ MARY P. RICCIARDELLO ----- Mary P. Ricciardello	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	November 5, 2001

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#### INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
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3.2	-- Amended and Restated Bylaws of CenterPoint Energy, Inc.

(included as Annex C to the Joint Proxy Statement/Prospectus contained in Part I of this Registration Statement).

3.3	--	Form of Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy, Inc.
4.1	--	Form of CenterPoint Energy, Inc. Stock Certificate
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5	--	Opinion of Baker Botts L.L.P. regarding the validity of the shares of common stock of CenterPoint Energy, Inc. to be issued in connection with the Agreement and Plan of Merger.
8	--	Opinion of Baker Botts L.L.P. regarding the federal income tax consequences of the Agreement and Plan of Merger.
23.1	--	Consent of Deloitte & Touche LLP.
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99.7*	--	Consent of Robert J. Cruikshank
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99.10*	--	Consent of David M. McClanahan
99.11*	--	Consent of Scott E. Rozzell
99.12*	--	Consent of Gary L. Whitlock
99.13	--	Consent of Stephen C. Schaeffer

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\* Previously filed.

FORM OF  
STATEMENT OF RESOLUTION ESTABLISHING SERIES OF SHARES  
DESIGNATED  
SERIES A PREFERRED STOCK

OF  
CENTERPOINT ENERGY, INC.

Pursuant to Article 2.13D of  
the Texas Business Corporation Act

Pursuant to the provisions of Article 2.13D of the Texas Business Corporation Act, the undersigned submits the following statement for the purpose of establishing and designating a series of shares of its Preferred Stock, without par value, designated "Series A Preferred Stock" and fixing and determining the relative rights and preferences thereof:

1. The name of the company is CENTERPOINT ENERGY, INC. (the "Company").

2. The following resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof, was duly adopted by all necessary action on the part of the Company on \_\_\_\_\_, 2001:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Company in accordance with the provisions of the Amended and Restated Articles of Incorporation of the Company, a series of Preferred Stock, without par value, of the Company be and hereby is created, and that the designation and number of shares thereof and the preferences, limitations and relative rights, including voting rights, of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

Series A Preferred Stock

1. Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series A Preferred Stock," and the number of shares constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of shares of any class or series of stock of the Company ranking junior to the Series A

Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of assets of the Company legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock, without par value, of the Company (the "Common Stock")

or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. The "Adjustment Number" shall initially be 1,000. In the event the Company shall at any time after the time of the issuance by the Secretary of State of the State of Texas of the certificate of merger with respect to the merger of Reliant Energy MergerCo, Inc., a Texas corporation ("MergerCo"), with and into Reliant Energy, Incorporated, a Texas corporation ("REI"), pursuant to the Agreement and Plan of Merger dated as of October 19, 2001, by and among REI, MergerCo and the Company (the "Merger"), or, if a later effective time was provided in the articles of merger with respect to the Merger, such later time (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such

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shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon.

3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Each share of Series A Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the shareholders of the Company.

(B) Except as otherwise provided by law or the Amended and Restated Articles of Incorporation of the Company, the holders of shares of Series A Preferred Stock, the holders of shares of any other class or series entitled to vote with the Common Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") that shall extend until such time when all accrued

and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, (1) the number of directors of the Company shall be increased by two, effective as of the time of election of such directors as herein provided, and (2) the holders of Preferred Stock (including holders of the Series A Preferred Stock) upon which these or like voting rights have been conferred and are exercisable (the "Voting Preferred Stock") with dividends in arrears in an amount equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect such two directors.

(ii) During any default period, such voting right of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that such voting right shall not be exercised unless the holders of at least one-third in number of the shares of Voting Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Voting Preferred Stock of such voting right.

(iii) Unless the holders of Voting Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Voting Preferred Stock, which meeting shall thereupon be called by the Chairman, the President, a Vice President or the Corporate Secretary of the Company. Notice of such meeting and of any annual meeting at which holders of Voting Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each

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holder of record of Voting Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or, in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Voting Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period, after the holders of Voting Preferred Stock shall have exercised their right to elect directors voting as a class, (x) the directors so elected by the holders of Voting Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class or classes of stock which elected the director whose office shall have become vacant. References in this paragraph (C) to directors elected by the holders of a particular class or classes of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Voting Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Voting Preferred Stock as a class shall terminate and (z) the number of directors shall be such number as may be provided for in the Amended and Restated Articles of Incorporation of the Company or the Amended and Restated Bylaws irrespective of any increase made pursuant to the provisions of paragraph (C) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Amended and Restated Articles of Incorporation of the Company or the Amended and Restated Bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

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(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Preferred Stock, or to all such holders and the holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative powers, preferences and rights of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of capital stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth in the Amended and Restated Articles of Incorporation of the Company.

6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) the Adjustment Number. Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall, subject to the prior rights of all other series of Preferred Stock, if any, ranking prior thereto, receive their ratable and proportionate share of the remaining assets

to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Preferred Stock and Common Stock, on a per share basis, respectively.

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(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) Neither the merger or consolidation of the Company into or with another Company nor the merger or consolidation of any other Company into or with the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6, but the sale, lease or conveyance of all or substantially all of the Company's assets shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6.

7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination, share exchange or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8. Redemption. (A) The Company, at its option, may redeem shares of the Series A Preferred Stock in whole at any time and in part from time to time, at a redemption price equal to the Adjustment Number times the current per share market price (as such term is hereinafter defined) of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the ten consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Common Stock is determined during a period following the announcement of (A) a dividend or distribution on the Common Stock other than a regular quarterly cash dividend or (B) any subdivision, combination or reclassification of such Common Stock and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of such ten Trading Day period, then, and in each such case, the current per share market price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sales price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but sales price information is reported for such security, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("Nasdaq") or such other self-regulatory organization or registered securities information

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processor (as such terms are used under the Securities Exchange Act of 1934, as amended) that then reports information concerning the Common Stock, or, if sales price information is not so reported, the average of the high bid and low asked prices in the over-the-counter market on such day, as reported by Nasdaq or such

other entity, or, if on any such date the Common Stock is not quoted by any such entity, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors. If on any such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but is quoted by Nasdaq, a day on which Nasdaq reports trades, or, if the Common Stock is not so quoted, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York or Texas are not authorized or obligated by law or executive order to close.

(B) In the event that fewer than all of the outstanding shares of the Series A Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method that may be determined by the Board of Directors in its sole discretion to be equitable.

(C) Notice of any such redemption shall be given by mailing to the holders of the shares of Series A Preferred Stock to be redeemed a notice of such redemption, first class postage prepaid, not later than the twentieth day and not earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Company. Each such notice shall state: (i) the redemption date; (ii) the number of shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series A Preferred Stock shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock that are to be redeemed. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Company at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. If fewer than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(D) The shares of Series A Preferred Stock shall not be subject to the operation of any purchase, retirement or sinking fund.

9. Ranking. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock (other than any such series of Preferred Stock the terms of which shall provide

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otherwise) in respect to dividend and liquidation rights, and shall rank senior to the Common Stock as to such matters.

10. Amendment. At any time that any shares of Series A Preferred Stock are outstanding, the Amended and Restated Articles of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share that entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.



IN WITNESS WHEREOF, CENTERPOINT ENERGY, INC. has caused this Statement  
to be executed on its behalf by the undersigned officer this \_\_\_\_ day of  
\_\_\_\_\_, 200\_.

CENTERPOINT ENERGY, INC.

-----  
Name:  
Title:

COMMON STOCK

WITHOUT NOMINAL OR PAR VALUE

RIGHTS ATTACHED TO THIS CERTIFICATE  
DESCRIBED ON REVERSE  
THIS CERTIFICATE IS TRANSFERABLE IN THE  
CITIES OF HOUSTON AND NEW YORK

CENTERPOINT ENERGY, INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

CUSIP 15189T 10 7  
SEE REVERSE FOR  
CERTAIN DEFINITIONS

THIS CERTIFIES THAT

IS THE OWNER OF

FULL PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

CenterPoint Energy, Inc. (the "Company"), transferable on the books of the Company by the holder in person or by attorney on surrender of this Certificate duly endorsed. This Certificate is not valid until countersigned by a Transfer Agent and registered by a Registrar of the Company.

[CenterPoint Logo]

[SEAL]

Witness the seal of said Company and the signatures of its duly authorized officers.

Dated

CenterPoint Energy, Inc.  
COUNTERSIGNED AND REGISTERED:  
CenterPoint Energy, Inc.  
(HOUSTON, TEXAS)  
TRANSFER AGENT  
AND REGISTRAR  
BY

AUTHORIZED OFFICER

By  
PRESIDENT  
CORPORATE SECRETARY

CENTERPOINT ENERGY, INC.

A full statement of the designations, preferences, limitations and relative rights of the shares of each class of stock of the Company authorized to be issued, the variations in the relative rights and preferences of the shares of each series of Preference Stock of the Company to the extent they have been fixed and determined, and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series of Preference Stock is set forth in Article VI of the Articles of Incorporation of the Company or in resolutions, if any, of the Board of Directors of the Company fixing and determining the relative rights and preferences of series of Preference Stock, copies of which Articles of Incorporation and resolutions, if any, are on file in the Office of the Secretary of State of the State of Texas. Under said Article VI, no holder of any stock of the Company has any preemptive right to acquire unissued or treasury shares of the Company. The Company will furnish a copy of said Article VI of its Articles of Incorporation and said resolutions, if any, to the record holder of this certificate without charge upon written request to the Secretary of the Company at its principal place of business in Houston, Texas.

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

TEN COM	--	as tenants in common	UNIF GIFT MIN ACT-____Custodian____
TEN ENT	--	as tenants by the entireties	(Cust) (Minor)
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

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

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

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

\_\_\_\_\_  
Shares  
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint Attorney to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated, \_\_\_\_\_

X  
\_\_\_\_\_  
(Signature)

NOTICE:

THE SIGNATURE(S) TO THIS ASSIGNMENT  
MUST CORRESPOND WITH THE NAME(S) AS  
WRITTEN UPON THE FACE OF THE

CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR  
ENLARGEMENT OR ANY CHANGE WHATEVER.

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION  
(BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH  
MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO  
S.E.C. RULE 17Ad-15.

\_\_\_\_\_  
SIGNATURE(S) GUARANTEED BY:  
\_\_\_\_\_

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between CenterPoint Energy, Inc. (the "Company") and JPMorgan Chase Bank (the "Rights Agent") dated as of \_\_\_\_\_, as it may from time to time be supplemented or amended (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances set forth in the Rights Agreement, such Rights may be redeemed, may be exchanged, may expire or may be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an

Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, will become null and void.

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CENTERPOINT ENERGY, INC.

AND

JPMORGAN CHASE BANK,

RIGHTS AGENT

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FORM OF RIGHTS AGREEMENT

DATED AS OF \_\_\_\_\_, 2002

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#### RIGHTS AGREEMENT

This Rights Agreement, dated as of \_\_\_\_\_, 2002 (the "Agreement"), between CenterPoint Energy, Inc., a Texas corporation (the "Company"), and JPMorgan Chase Bank, a New York state bank (the "Rights Agent"),

WITNESSETH:

WHEREAS, in connection with the merger of Reliant Energy MergerCo, Inc., a Texas Corporation ("MergerCo"), with and into Reliant Energy, Incorporated, a Texas Corporation ("REI"), with REI being the surviving corporation (the "Merger"), pursuant to the Agreement and Plan of Merger dated as of October 19, 2001, by and among REI, MergerCo and the Company (the "Merger Agreement"), the Board of Directors of the Company authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of Section 11(p) hereof) for each share of common stock, without par value, of the Company (the "Common Stock") issued (whether originally issued or delivered from the Company's treasury) from and after the Effective Time (as hereinafter defined) and the earlier of the Distribution Date (as hereinafter defined) and the Expiration Date (as hereinafter defined), and, in certain circumstances provided for in Section 22 hereof, after the Distribution Date, each Right initially representing the right to purchase one Fractional Share (as hereinafter defined) of Series A Preferred Stock of the Company, upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

"Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding, but shall not include any Exempt Person; provided, however, that a Person shall not be or become an Acquiring Person if such Person, together with its Affiliates and Associates, shall become the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding solely as a result of a reduction in the number of shares of Common Stock outstanding due to the repurchase of Common Stock by the Company, unless and until such time as such Person together with its Affiliate or Associate shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or any other Person (or Persons) who is (or collectively are) the Beneficial Owner of shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock shall become an Affiliate or Associate of such Person, unless, in either such case, such Person, together with all Affiliates and Associates of such Person, is not then the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding; and provided, further, that if the Board of Directors, with the concurrence of a majority of the members of the Board of Directors who are not, and are not representatives, nominees, Affiliates or Associates of, such Person or an Acquiring Person, determines in good faith that a Person that would otherwise be an "Acquiring Person" has become such inadvertently

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(including, without limitation, because (i) such Person was unaware that it beneficially owned a percentage of Common Stock that would otherwise cause such Person to be an "Acquiring Person" or (ii) such Person was aware of the extent of its Beneficial Ownership of Common Stock but had no actual knowledge of the consequences of such Beneficial Ownership under this Agreement) and without any intention of changing or influencing control of the Company, and if such Person as promptly as practicable divested or divests itself of Beneficial Ownership of a sufficient number of shares of Common Stock so that such Person would no longer be an "Acquiring Person," then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement.

At any time that the Rights are redeemable, the Board of Directors may, generally or with respect to any specified Person or Persons, determine to increase to a specified percentage greater than that set forth herein or decrease to a specified percentage lower than that set forth herein or determine a number of shares to be (but in no event less than or equal to the percentage or number of shares of Common Stock then beneficially owned by such Person), the level of Beneficial Ownership of Common Stock at which a Person or such Person or Persons becomes an Acquiring Person.

"Adjustment Shares" shall have the meaning set forth in Section 11(a) (ii) hereof.

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

"Associate" shall mean, with reference to any Person, (1) any corporation, firm, partnership, association, unincorporated organization or other entity (other than the Company or a Subsidiary of the Company) of which such Person is an officer or general partner (or officer or general partner of a general partner) or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (2) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (3) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," any securities:

(i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement) or otherwise has the right to vote or dispose of, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subparagraph (i) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement) proxy or

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consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report) and (C) does not constitute a trust, proxy, power of attorney or other device with the purpose or effect of allowing two or more persons, acting in concert, to avoid being deemed "beneficial owners" of such security or otherwise avoid the status of "Acquiring Person" under the terms of this Agreement or as part of a plan or scheme to evade the reporting requirements under Schedule 13D or Sections 13(d) or 13(g) of the Exchange Act;

(ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right or obligation to acquire (whether such right or obligation is exercisable or effective immediately or only after the passage of time or the occurrence of an event) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange, or (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event, or (C) securities issuable upon exercise of Rights from and after the occurrence of a Triggering Event which Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof (the "Original Rights") or pursuant to Section 11(i) or (p) hereof in connection with an adjustment made with respect to any Original Rights; or

(iii) that are beneficially owned, directly or indirectly, by (A) any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for



the purpose of acquiring, holding, voting (except pursuant to a revocable proxy or consent as described in the proviso to subparagraph (i) of this definition) or disposing of any voting securities of the Company or (B) any group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement) of which such Person is a member;

provided, however, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting (including, without limitation, securities acquired pursuant to stabilizing transactions to facilitate a public offering in accordance with Regulation M promulgated under the Exchange Act, or to cover over-allotments created in connection with a public offering) until the expiration of forty days after the date of such acquisition. For purposes of this Agreement, "voting" a security shall include voting, granting a proxy, acting by consent, making a request or demand relating to corporate action (including, without limitation, calling a shareholder meeting), entering into a voting trust or voting agreement or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act as in effect on the date of this Agreement) in respect of such security.

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"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York or Texas are authorized or obligated by law or executive order to close.

"close of business" on any given date shall mean 5:00 p.m., New York City time, on such date; provided, however, that if such date is not a Business Day, it shall mean 5:00 p.m., New York City time, on the next succeeding Business Day.

"Closing Price" of a security for any day shall mean the last sales price, regular way, on such day or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, on such day, in either case as reported in the principal transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading, or, if such security is not listed or admitted to trading on any national securities exchange but sales price information is reported for such security, as reported by Nasdaq or such other self-regulatory organization or registered securities information processor (as such terms are used under the Exchange Act) that then reports information concerning such security, or, if sales price information is not so reported, the average of the high bid and low asked prices in the over-the-counter market on such day, as reported by Nasdaq or such other entity, or, if on such day such security is not quoted by any such entity, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such security selected by the Board of Directors of the Company. If on such day no market maker is making a market in such security, the fair value of such security on such day as determined in good faith by the Board of Directors of the Company shall be used.

"Common Stock" shall mean the common stock, without par value, of the Company, except that "Common Stock" when used with reference to equity interests issued by any Person other than the Company shall mean the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

"Common Stock Equivalents" shall have the meaning set forth in Section 11(a) (iii) hereof.

"Company" shall mean the Person named as the "Company" in the preamble of this Agreement until a successor Person shall have become such or until a Principal Party shall assume, and thereafter be liable for, all obligations and duties of the Company hereunder, pursuant to the applicable provisions of this Agreement, and thereafter "Company" shall mean such successor Person or Principal Party.

"Current Market Price" shall have the meaning set forth in Section 11(d) hereof.

"Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

"Distribution Date" shall mean the earlier of (i) the close of business on the tenth day (or, if such Stock Acquisition Date results from the consummation of a Permitted Offer, such

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later date as may be determined by the Company's Board of Directors as set forth below at any time when the Rights are redeemable) after the Stock Acquisition Date (or, if the tenth day after the Stock Acquisition Date occurs before the Effective Time, the Effective Time) or (ii) the close of business on the tenth Business Day (or such later date as may be determined by the Company's Board of Directors as set forth below before the Distribution Date occurs) after the date that a tender offer or exchange offer by any Person (other than any Exempt Person) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act as then in effect, if upon consummation thereof, such Person would be an Acquiring Person, other than a tender or exchange offer that is determined before the Distribution Date occurs to be a Permitted Offer. The Board of Directors of the Company may, to the extent set forth in the preceding sentence, defer the date set forth in clause (i) or (ii) of the preceding sentence to a specified later date or to an unspecified later date to be determined by a subsequent action or event (but in no event to a date later than the close of business on the tenth day after the first occurrence of a Triggering Event).

"Effective Time" shall mean the time of the issuance of the certificate of merger with respect to the Merger by the Secretary of State of the State of Texas or, if a later effective time was provided in the articles of merger with respect to the Merger, such later time.

"Equivalent Preferred Stock" shall have the meaning set forth in Section 11(b) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Ratio" shall have the meaning set forth in Section 24 hereof.

"Exempt Person" shall mean the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Company or any Subsidiary of the Company.

"Expiration Date" shall mean the earliest of (i) the Final Expiration Date, (ii) the time at which the Rights are redeemed as provided in Section 23 hereof, (iii) the time at which the Rights expire pursuant to Section 13(d) hereof and (iv) the time at which all Rights then outstanding and exercisable are exchanged pursuant to Section 24 hereof.

"Final Expiration Date" shall mean the close of business on December 31, 2011.

"Flip-In Event" shall mean an event described in Section 11(a)(ii) hereof.

"Flip-In Trigger Date" shall have the meaning set forth in Section 11(a)(iii) hereof.

"Flip-Over Event" shall mean any event described in clause (x), (y) or (z) of Section 13(a) hereof, but excluding any transaction described in Section 13(d) hereof that causes the Rights to expire.

"Fractional Share" with respect to the Preferred Stock shall mean one one-thousandth of a share of Preferred Stock.

"Merger" shall have the meaning set forth in the recitals clause at the beginning of this Agreement.

"Merger Agreement" shall have the meaning set forth in the recitals clause at the beginning of this Agreement.

"Nasdaq" shall mean the National Association of Securities Dealers, Inc. Automated Quotations System.

"Original Rights" shall have the meaning set forth in the definition of "Beneficial Owner."

"Permitted Offer" shall mean a tender offer or an exchange offer for all outstanding shares of Common Stock at a price and on terms determined, prior to the time the Person making the offer or any Affiliate or Associate thereof is an Acquiring Person, by at least a majority of the members of the Board of Directors who are not, and are not representatives, nominees, Affiliates or Associates of, an Acquiring Person or the Person making the offer, after receiving advice from one or more investment banking firms, to be (a) at a price and on terms that are fair to shareholders (taking into account all factors that such members of the Board deem relevant including, without limitation, prices that could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its shareholders.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, association, trust, unincorporated organization or other entity or any group of Persons acting in concert.

"Preferred Stock" shall mean shares of Series A Preferred Stock, without par value, of the Company having the rights, powers and preferences set forth in the Company's Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock, a copy of which is attached hereto as Exhibit A and, to the extent that there is not a sufficient number of shares of Series A Preferred Stock authorized to permit the full exercise of the Rights, any other series of Preferred Stock, without par value, of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Preferred Stock.

"Principal Party" shall have the meaning set forth in Section 13(b) hereof.

"Purchase Price" shall have the meaning set forth in Section 4(a) hereof.

"Redemption Price" shall have the meaning set forth in Section 23(a) hereof.

"Rights" shall have the meaning set forth in the recitals clause at the beginning of this Agreement.

"Rights Agent" shall mean the Person named as the "Rights Agent" in the preamble of this Agreement until a successor Rights Agent shall have become such pursuant to the applicable provisions hereof, and thereafter "Rights Agent" shall mean such successor Rights Agent. If at any time there is more than one Person appointed by the Company as Rights Agent pursuant to the applicable provisions of this Agreement, "Rights Agent" shall mean and include each such Person.

"Rights Certificates" shall mean the certificates evidencing the Rights.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Spread" shall have the meaning set forth in Section 11(a) (iii) hereof.

"Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition and Section 23, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

"Subsidiary" shall mean, with reference to any Person, any corporation or other Person of which an amount of voting securities sufficient to elect at least a majority of the directors or other persons performing similar functions is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

"Substitution Period" shall have the meaning set forth in Section 11(a) (iii) hereof.

"Summary of Rights" shall mean the Summary of Rights sent pursuant to Section 3(b) hereof.

"Trading Day" with respect to a security shall mean a day on which the principal national securities exchange on which such security is listed or admitted to trading is open for the transaction of business, or, if such security is not listed or admitted to trading on any national securities exchange but is quoted by Nasdaq, a day on which Nasdaq reports trades, or, if such security is not so quoted, a Business Day.

"Triggering Event" shall mean any Flip-In Event or any Flip-Over Event.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent (i) to act as agent for the Company and (ii) to take certain actions in respect of the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Stock) (although it is expressly agreed that the Rights Agent shall not act as agent for such holders) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable.

### Section 3. Issue of Rights Certificates.

(a) Until the Distribution Date, (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for Common Stock registered in

the names of the holders of the Common Stock and not by separate certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock (including a transfer to the Company). As soon as practicable after the Distribution Date, the Rights Agent will send by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date (other than any Person referred to in the first sentence of Section 7(e)), at the address of such holder shown on the records of the Company, one or more Rights Certificates, evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) Promptly following the Effective Time, the Company will make available, upon request of any record holder of Common Stock, a copy of a Summary of Rights, in substantially the form attached hereto as Exhibit C, by first-class, postage prepaid mail. With respect to certificates for Common Stock

outstanding as of the Effective Time, until the Distribution Date or the earlier surrender for transfer thereof or the Expiration Date, the Rights associated with the shares of Common Stock represented by such certificates shall be evidenced by such certificates for Common Stock, and the registered holders of the Common Stock shall also be the registered holders of the associated Rights. Until the earlier of the Distribution Date or the Expiration Date, the transfer of any of the certificates for Common Stock outstanding at the Effective Time, with or without a copy of the Summary of Rights, shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

(c) Rights shall be issued in respect of all shares of Common Stock that are issued (whether originally issued or delivered from the Company's treasury) after the Effective Time but prior to the earlier of the Distribution Date or the Expiration Date or, in certain circumstances provided in Section 22 hereof, after the Distribution Date. Certificates issued for shares of Common Stock that shall so become outstanding or shall be transferred or exchanged after the Effective Time but prior to the earlier of the Distribution Date or the Expiration Date shall also be deemed to be certificates for Rights, and shall bear the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between CenterPoint Energy, Inc. (the "Company") and JPMorgan Chase Bank (the "Rights Agent") dated as of \_\_\_\_\_, 2002 as it may from time to time be supplemented or amended (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may be exchanged, may expire or may be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. UNDER CERTAIN CIRCUMSTANCES SET FORTH IN

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THE RIGHTS AGREEMENT, RIGHTS BENEFICIALLY OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), AND CERTAIN TRANSFEREES THEREOF, WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

With respect to such certificates containing the foregoing legend, until the earlier of the Distribution Date or the Expiration Date, the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone, and registered holders of Common Stock shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

#### Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof), when, as and if issued, shall be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or quotation system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever issued, shall be dated as of the Effective Time and on their face shall entitle the holders thereof to purchase such number of Fractional Shares of Preferred Stock as shall be set forth therein at the price set forth therein (such exercise price per Fractional Share (or, as set forth in this Agreement, for other securities), the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or

Section 22 hereof that represents Rights beneficially owned by a Person described in the first sentence of Section 7(e), and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any such Rights, shall contain (to the extent feasible) the following legend, modified as applicable to apply to such Person:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby [will] [have] become null and void in the circumstances and with the effect specified in Section 7(e) of such Agreement.

The provisions of Section 7(e) of this Agreement shall be operative whether or not the foregoing legend is contained on any such Rights Certificate. The Company shall give notice to the Rights Agent promptly after it becomes aware of the existence of any Acquiring Person or any Associate or Affiliate thereof.

#### Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof, which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be countersigned by the Rights Agent, either manually or by facsimile signature, and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at the office or offices designated by the Rights Agent as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the certificate number and the date of each of the Rights Certificates.

#### Section 6. Transfer, Split-Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

(a) Subject to the provisions of Section 4(b), Section 7(e), Section 13(d), Section 14 and Section 24 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date, any Rights Certificate or Rights Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Rights Certificates, entitling the registered holder to purchase a like number of Fractional Shares of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or Rights Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Rights Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Rights Certificates to be transferred, split up, combined or exchanged at the office or offices designated by the Rights Agent for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the

reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) thereof or of the Affiliates or Associates thereof as the

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Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e), Section 13(d), Section 14 and Section 24 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment by the holder of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split-up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will, subject to Section 4(b), Section 7(e), Section 13(d), Section 14 and Section 24, execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

#### Section 7. Exercise of Rights; Purchase Price.

(a) Subject to Section 7(e) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly completed and executed, to the Rights Agent at the office or offices designated by the Rights Agent for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of Fractional Shares of Preferred Stock (or other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the Expiration Date.

(b) The Purchase Price for each Fractional Share of Preferred Stock pursuant to the exercise of a Right shall initially be \$42.50, and shall be subject to adjustment from time to time as provided in Sections 11 and 13(a) hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate on the reverse side thereof duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per Fractional Share of Preferred Stock (or other shares, securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable transfer tax, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the shares of Preferred Stock (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of Fractional Shares of Preferred Stock to be purchased, and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company, in its sole discretion, shall have elected to deposit the shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent depositary receipts representing

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interests in such number of Fractional Shares of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company will direct the depositary agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of Fractional Shares in accordance with Section 14 hereof,

(iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii) hereof) may be made in cash or by certified check, cashier's or official bank check or bank draft payable to the order of the Company or the Rights Agent. In the event that the Company is obligated to issue other securities (including Common Stock) of the Company, pay cash and/or distribute other property pursuant to Section 11(a) or Section 13(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate. The Company reserves the right to require prior to the occurrence of a Triggering Event that, upon exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

(d) In case the registered holder of any Rights Certificate shall exercise fewer than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Triggering Event, any Rights beneficially owned by or transferred to (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person other than any such Person that became such pursuant to a Permitted Offer and the Board of Directors in good faith determines was not involved in and did not cause or facilitate, directly or indirectly, such Triggering Event, (ii) a direct or indirect transferee of such Rights from such Acquiring Person (or any such Associate or Affiliate) who becomes a transferee after such Triggering Event or (iii) a direct or indirect transferee of such Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with such Triggering Event and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from such Acquiring Person (or such Affiliate or Associate) to holders of equity interests in such Acquiring Person (or such Affiliate or Associate) or to any Person with whom such Acquiring Person (or such Affiliate or Associate) has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer that the Board of Directors of the Company determines is part of a plan, arrangement or understanding that has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action, no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise, and such Rights shall not be transferable. The Company shall use all reasonable efforts to ensure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder.

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(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates. All Rights Certificates surrendered for the purpose of exercise, transfer, split-up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall



so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

#### Section 9. Reservation and Availability of Capital Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and, following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock and/or other securities or out of its authorized and issued shares held in its treasury), the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) that, as provided in this Agreement, including Section 11(a)(iii) hereof, will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as any shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable and deliverable upon the exercise of the Rights are listed on any national securities exchange or quoted on any trading system, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange, or quoted on such system, upon official notice of issuance upon such exercise. Following the occurrence of a Triggering Event, the Company will use its best efforts to list (or continue the listing of) the Rights and the securities issuable and deliverable upon the exercise of the Rights on one or more national securities exchanges or to cause the Rights and the securities purchasable upon exercise of the Rights to be reported by Nasdaq or such other transaction reporting system then in use.

(c) The Company shall use its best efforts to (i) prepare and file, as soon as practicable following the first occurrence of a Flip-In Event or, if applicable, as soon as practicable following the earliest date after the first occurrence of a Flip-In Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined

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pursuant to this Agreement (including in accordance with Section 11(a)(iii) hereof), a registration statement on an appropriate form under the Securities Act with respect to the securities purchasable upon exercise of the Rights, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed 90 days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. In addition, if the Company shall determine that the Securities Act requires an effective registration statement under the Securities Act following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights until such time as such a registration statement has been declared effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law or any required registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Fractional Shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the

Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of Fractional Shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of Fractional Shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) in respect of a name other than that of, the registered holder of the Rights Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of Fractional Shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date. Each Person in whose name any certificate for a number of Fractional Shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be

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deemed to have become the holder of record of such shares (fractional or otherwise) of Preferred Stock (or Common Stock and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate, as such, shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares or other securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)(i) In the event the Company shall at any time after the Effective Time (A) declare a dividend on the outstanding shares of Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding shares of Preferred Stock, (C) combine the outstanding shares of Preferred Stock into a smaller number of shares or (D) otherwise reclassify the outstanding shares of Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or capital stock or other securities, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of Preferred Stock or capital stock or other securities, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open,

he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs that would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) Subject to Sections 23 and 24 of this Agreement, in the event any Person shall, at any time after the Effective Time, become an Acquiring Person, unless the event causing such Person to become an Acquiring Person is (1) a Flip-Over Event or (2) an acquisition of shares of Common Stock pursuant to a Permitted Offer (provided

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that this clause (2) shall cease to apply if such Acquiring Person thereafter becomes the Beneficial Owner of any additional shares of Common Stock other than pursuant to such Permitted Offer or a transaction set forth in Section 13(a) or 13(d) hereof), then, unless applicable law prohibits the enforcement of the first sentence of Section 7(e), (x) the Purchase Price shall be adjusted to be the Purchase Price immediately prior to the first occurrence of a Flip-In Event multiplied by the number of Fractional Shares of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence and (y) each holder of a Right (except as provided below in Section 11(a)(iii) and in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at a price equal to the Purchase Price in accordance with the terms of this Agreement, in lieu of the shares of Preferred Stock otherwise purchasable hereunder, such number of shares of Common Stock of the Company as shall equal the result obtained by dividing the Purchase Price by 50% of the Current Market Price per share of Common Stock on the date of such first occurrence (such number of shares, the "Adjustment Shares"); provided that the Purchase Price and the number of Adjustment Shares shall be further adjusted as provided in this Agreement to reflect any events occurring after the date of such first occurrence.

(iii) In the event that the number of shares of Common Stock that are authorized by the Company's articles of incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall, to the extent permitted by applicable law and regulation, (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (computed using the Current Market Price used to determine the number of Adjustment Shares) (the "Current Value") over (2) the Purchase Price (such excess is herein referred to as the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon the exercise of the Rights and payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock (including, without limitation, the Preferred Stock) that the Board of Directors of the Company has determined to have the same value as shares of Common Stock (such shares of preferred stock are herein referred to as "Common Stock Equivalents")), (4) debt securities of the Company, (5) other assets or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within 30 days following the first occurrence of a Flip-In Event (the "Flip-In Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be

authorized for issuance upon exercise in full

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of the Rights, the 30-day period set forth above may be extended to the extent necessary, but not more than 90 days after the Flip-In Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company or the Board of Directors determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the Current Market Price per share of the Common Stock on the Flip-In Trigger Date and the value of any Common Stock Equivalent shall be deemed to have the same value as the Common Stock on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within 45 calendar days after such record date) Preferred Stock (or shares having substantially the same rights, privileges and preferences as the shares of Preferred Stock ("Equivalent Preferred Stock")) or securities convertible into Preferred Stock or Equivalent Preferred Stock at a price per share of Preferred Stock or per share of Equivalent Preferred Stock (or having a conversion price per share, if a security convertible into Preferred Stock or Equivalent Preferred Stock) less than the Current Market Price per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock that the aggregate offering price of the total number of shares of Preferred Stock and/or Equivalent Preferred Stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of additional shares of Preferred Stock and/or Equivalent Preferred Stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price that would then be in effect if such record date had not been fixed.

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(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular quarterly cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such

record date by a fraction, the numerator of which shall be the Current Market Price per share of Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a share of Preferred Stock and the denominator of which shall be such Current Market Price per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price that would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a) (iii) hereof, the "Current Market Price" per share of Common Stock of a Person on any date shall be deemed to be the average of the daily Closing Prices per share of such Common Stock for the 30 consecutive Trading Days immediately prior to such date, and for purposes of computations made pursuant to Section 11(a) (iii) hereof, the "Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the daily Closing Prices per share of such Common Stock for the 10 consecutive Trading Days immediately following such date; provided, however, that in the event that the Current Market Price per share of Common Stock is determined during a period following the announcement of (A) a dividend or distribution on such Common Stock other than a regular quarterly cash dividend or the dividend of the Rights, or (B) any subdivision, combination or reclassification of such Common Stock, and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of the requisite 30 Trading Day or 10 Trading Day period, as set forth above, then, and in each such case, the Current Market Price shall be properly adjusted to take into account ex-dividend trading. If the Common Stock is not publicly held or not so listed or traded, "Current Market Price" per share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the "Current Market Price" per share (or Fractional Share) of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the Current Market Price per share (or Fractional Share) of Preferred Stock cannot be determined in the manner provided above

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or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the "Current Market Price" per share of Preferred Stock shall be conclusively deemed to be an amount equal to 1000 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the Current Market Price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, Current Market Price per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the Current Market Price of a Fractional Share of Preferred Stock shall be equal to the Current Market Price of one share of Preferred Stock divided by 1000.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments that by reason of this Section 11(e) are not

required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or to the nearest ten-thousandth of a Fractional Share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive in respect of such Right any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Sections 11(a), (b), (c), (e), (f), (g), (h), (i), (j), (k) and (m) hereof, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of Fractional Shares of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of Fractional Shares of Preferred Stock (calculated to the nearest one ten-thousandth of a Fractional Share) obtained by (i) multiplying (x) the number of Fractional Shares of

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Preferred Stock covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect, on or after the date of any adjustment of the Purchase Price, to adjust the number of Rights in lieu of any adjustment in the number of Fractional Shares of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Fractional Shares of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of Fractional Shares of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per Fractional Share and the number of Fractional Shares that were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, or the stated capital of the number of Fractional Shares of Preferred Stock or of the number of shares of Common Stock or other securities issuable upon exercise of a Right, the Company shall take any corporate action that may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of Fractional Shares of Preferred Stock or such number of shares of Common Stock or other securities at such adjusted Purchase Price.

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(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Fractional Shares of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of Fractional Shares of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the current market price, (iii) issuance wholly for cash of shares of Preferred Stock or securities that by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11 hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such shareholders.

(n) The Company covenants and agrees that it shall not, at any time that there is an Acquiring Person, (i) consolidate with any other Person, (ii) merge with or into or be acquired pursuant to a share exchange by any other Person, or (iii) sell, lease or transfer (or permit one or more Subsidiaries to sell, lease or transfer), in one transaction or a series of related transactions, assets, earning power or cash flow aggregating more than 50% of the assets, earning power or cash flow of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons, if (x) at the time of or immediately after such consolidation, merger, share exchange, sale, lease or transfer there are any rights, warrants or other instruments or securities of the Company or any other Person outstanding or agreements, arrangements or understandings in effect that would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, (y) prior to, simultaneously with or immediately after such consolidation, merger, share exchange, sale, lease or transfer, the shareholders or other equity owners of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates, or (z) the identity, form or nature of organization of the Principal Party (including without limitation the selection of the Person that will be the Principal Party as a result of the Company's entering into one or more consolidations, mergers, share exchanges, sales, leases, transfers or transactions with more than one party) would preclude or limit the exercise of Rights or otherwise diminish substantially or eliminate the benefits intended to be afforded by the Rights.

(o) The Company covenants and agrees that, after the

Distribution Date, it will not, except as permitted by Section 23, Section 24 or Section 27 hereof, take (or permit any Subsidiary to take) any action if the purpose of such action is to, or if at the time such action is

taken it is reasonably foreseeable that such action will, diminish substantially or eliminate the benefits intended to be afforded by the Rights.

(p) Notwithstanding Section 3(c) hereof or any other provision of this Agreement to the contrary, in the event that the Company shall at any time after the Effective Time and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, (iii) combine the outstanding shares of Common Stock into a smaller number of shares or (iv) otherwise reclassify the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter with Rights, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction (the "Adjustment Fraction") the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event. In lieu of such adjustment in the number of Rights associated with one share of Common Stock, the Company may elect to adjust the number of Fractional Shares of Preferred Stock purchasable upon the exercise of one Right and the Purchase Price. If the Company makes such election, the number of Rights associated with one share of Common Stock shall remain unchanged, and the number of Fractional Shares of Preferred Stock purchasable upon exercise of one Right and the Purchase Price shall be proportionately adjusted so that (i) the number of Fractional Shares of Preferred Stock purchasable upon exercise of a Right following such adjustment shall equal the product of the number of Fractional Shares of Preferred Stock purchasable upon exercise of a Right immediately prior to such adjustment multiplied by the Adjustment Fraction and (ii) the Purchase Price following such adjustment shall equal the product of the Purchase Price immediately prior to such adjustment multiplied by the Adjustment Fraction.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Stock and the Common Stock, a copy of such certificate and (c) mail a brief summary thereof to each registered holder of a Rights Certificate (or, if prior to the Distribution Date, to each registered holder of a certificate representing shares of Common Stock) in accordance with Section 26 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets, Cash Flow or Earning Power.

(a) In the event that, from and after the time an Acquiring Person has become such, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person, and the Company shall not be the continuing or surviving corporation of such

consolidation or merger, (y) any Person shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger, or the Company shall be party to a share exchange, and, in connection with such consolidation or merger or share exchange, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of the Company or any other Person or cash or any other property, or (z) the Company shall sell, lease or otherwise transfer (or one or more of its Subsidiaries shall sell, lease or



otherwise transfer), in one transaction or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any wholly owned Subsidiary of the Company or any combination thereof in one or more transactions each of which complies (and all of which together comply) with Section 11(o) hereof), then, and in each such case (except as may be contemplated by Section 13(d) hereof), proper provision shall be made so that: (i) the Purchase Price shall be adjusted to be the Purchase Price immediately prior to the first occurrence of a Triggering Event multiplied by the number of Fractional Shares of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence; (ii) on and after the Distribution Date, each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the Purchase Price in accordance with the terms of this Agreement, in lieu of shares of Preferred Stock or Common Stock of the Company, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by dividing the Purchase Price by 50% of the Current Market Price per share of the Common Stock of such Principal Party on the date of consummation of such Flip-Over Event; provided that the Purchase Price and the number of shares of Common Stock of such Principal Party issuable upon exercise of each Right shall be further adjusted as provided in this Agreement to reflect any events occurring after the date of such first occurrence of a Triggering Event or after the date of such Flip-Over Event, as applicable; (iii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Flip-Over Event, all the obligations and duties of the Company pursuant to this Agreement; (iv) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Flip-Over Event; (v) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; and (vi) the provisions of Section 11(a)(ii) hereof shall be of no effect following the occurrence of any Flip-Over Event.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), (A) the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger or consolidation or share exchange, or, if there is more than one such issuer, the issuer the Common Stock of which has the greatest aggregate market value, or (B) if no securities are so issued, (x) the Person that survives such consolidation or is the other party to the merger and

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survives such merger, or, if there is more than one such Person, the Person the Common Stock of which has the greatest aggregate market value or (y) if the Person that is the other party to the merger does not survive the merger, the Person that does survive the merger (including the Company if it survives); and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if each Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred, or if the Person receiving the greatest portion of the assets or earning power cannot be determined, the Person the Common Stock of which has the greatest aggregate market value;

provided, however, that in any such case, if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve-month period registered under Section 12 of the Exchange Act, and if (1) such Person is a direct or indirect Subsidiary of another Person the Common Stock of which

is and has been so registered, "Principal Party" shall refer to such other Person; (2) such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of all of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value; and (3) such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (1) and (2) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a "Subsidiary" of both or all of such joint venturers and the Principal Parties in each such chain shall bear the obligations set forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear to the total of such interests.

(c) The Company shall not consummate any Flip-Over Event unless each Principal Party (or Person that may become a Principal Party as a result of such Flip-Over Event) shall have a sufficient number of authorized shares of its Common Stock that have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and each such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of such Flip-Over Event, the Principal Party at its own expense will

(i) prepare and file a registration statement under the Securities Act with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date;

(ii) use its best efforts to qualify or register the Rights and the securities purchasable upon exercise of the Rights under the "blue sky" laws of such jurisdictions as may be necessary or appropriate;

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(iii) use its best efforts, if the Common Stock of the Principal Party is or shall become listed on a national securities exchange, to list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on such securities exchange and, if the Common Stock of the Principal Party shall not be listed on a national securities exchange, to cause the Rights and the securities purchasable upon exercise of the Rights to be reported by Nasdaq or such other transaction reporting system then in use; and

(iv) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates that comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Flip-Over Event shall occur at any time after the occurrence of a Flip-In Event, the Rights that have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

(d) Notwithstanding anything in this Agreement to the contrary, Section 13 shall not be applicable to a transaction described in subparagraphs (x) and (y) of Section 13(a) if (i) such transaction is consummated with a Person or Persons who acquired shares of Common Stock pursuant to a Permitted Offer (or a wholly owned Subsidiary of any such Person or Persons), (ii) the price per share of Common Stock offered in such transaction is not less than the price per share of Common Stock paid to all holders of Common Stock whose shares were purchased pursuant to such Permitted Offer, and (iii) the form of consideration being offered to the remaining holders of shares of Common Stock pursuant to such transaction is the same as the form of consideration paid pursuant to such Permitted Offer. Upon consummation of any such transaction contemplated by this Section 13(d), all Rights hereunder shall expire.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Rights Certificates or scrip evidencing fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Closing Price of one Right for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than, except as provided in Section 7(c) hereof, fractions that are integral multiples of a Fractional Share of Preferred Stock) upon exercise of the Rights or to distribute certificates or scrip evidencing fractional shares of Preferred Stock (other than, except as provided in Section 7(c) hereof, fractions that are integral multiples of a Fractional Share of Preferred Stock). Interests in fractions of shares of Preferred Stock in integral multiples of a Fractional Share of Preferred Stock may, at the election of the Company in its sole discretion, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement shall provide that the holders of

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such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the shares of Preferred Stock represented by such depositary receipts. In lieu of fractional shares of Preferred Stock that are not integral multiples of a Fractional Share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of one one-thousandth of the Closing Price of a share of Preferred Stock for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates or scrip evidencing fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the Closing Price of one share of Common Stock for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement, other than rights of action vested in the Rights Agent pursuant to Section 18 hereof, are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock) and, where applicable, the Company; and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement. After a Triggering Event, holders of Rights shall be entitled to recover the reasonable costs and expenses, including attorneys' fees, incurred by them in any action to enforce the provisions of this Agreement.

Section 16. Agreement of Rights Holders. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will not be evidenced by Rights Certificates and will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Rights Certificates will be transferable only on the registry books of the Rights Agent if surrendered at the office or offices designated by the

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Rights Agent for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the form of assignment set forth on the reverse side thereof and the certificate contained therein duly completed and fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of Fractional Shares of Preferred Stock or any other securities of the Company that may at any time be issuable upon the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other reasonable disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

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(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights

Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it, after proper inquiry or examination, to be genuine and to be signed, executed and, where necessary, guaranteed, verified or acknowledged, by the proper Person or Persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without

limitation, the identity of any Acquiring Person and the determination of "Current Market Price") be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct. In no event shall the Rights Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 or Section 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after receipt of actual knowledge of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Preferred Stock or Common Stock or other securities to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Preferred Stock or Common Stock or other securities will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

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(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents (including the Company), and the Rights Agent shall not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, omission, default, neglect or misconduct; provided, however, that reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any

successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company, and to each transfer agent of the Common Stock and the Preferred Stock, by registered or certified mail, and to the registered holders, if any, of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent (with or without cause) upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and the Preferred Stock, by registered or certified mail, and to the registered holders of the Rights Certificates, if any, by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. Notwithstanding the foregoing provisions of this Section 21, in no event shall the resignation or removal of a Rights Agent be effective until a successor Rights Agent shall have been appointed and have accepted such appointment. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the registered holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then the Rights Agent or the registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation or trust company organized and doing business under the laws of the United States or of the State of New York or Texas (or of any

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other state of the United States so long as such corporation or trust company is authorized to conduct a stock transfer or corporate trust business in the State of New York or Texas), in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000 or (b) an affiliate of a corporation or trust company described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and mail a notice thereof in writing to the registered holders, if any, of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

#### Section 22. Issuance of New Rights Certificates.

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the Expiration Date, the Company (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement granted or awarded on or prior to the Distribution Date, or upon the exercise, conversion or exchange of securities issued by the Company on or prior to the Distribution Date, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

### Section 23. Redemption and Termination.

(a) The Board of Directors of the Company may, at its option, at any time prior to the time a Person becomes an Acquiring Person, cause the Company to redeem all but not less than all the then outstanding Rights at a redemption price of \$.005 per Right, as such amount may be appropriately adjusted, if necessary, to reflect any stock split, stock dividend or similar transaction occurring after the Effective Time (such redemption price being hereinafter referred to as the "Redemption Price"). The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the Current Market Price of the Common

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Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors.

(b) Immediately upon the effectiveness of the action of the Board of Directors of the Company ordering the redemption of the Rights (the effectiveness of which action may be conditioned on the occurrence of one or more events or on the existence of one or more facts or may be effective at some future time), evidence of which shall be filed with the Rights Agent and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the effectiveness of the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the registered holders of the then outstanding Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Company for the Common Stock. Any notice that is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption shall state the method by which the payment of the Redemption Price will be made.

### Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time and from time to time after the occurrence of a Flip-In Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for shares of Common Stock or Common Stock Equivalents or any combination thereof, at an exchange ratio of one share of Common Stock, or such number of Common Stock Equivalents or units representing fractions thereof as would be deemed to have the same value as one share of Common Stock, per Right, appropriately adjusted, if necessary, to reflect any stock split, stock dividend or similar transaction occurring after the Effective Time (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors may not effect such exchange at any time after (i) any Person (other than an Exempt Person), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the shares of Common Stock then outstanding or (ii) the occurrence of a Flip-Over Event.

(b) Immediately upon the effectiveness of the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to and in accordance with subsection (a) of this Section 24 (the effectiveness of which action may be conditioned on the occurrence of one or more events or on the existence of one or more facts or may be effective at some future time) and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock and/or Common Stock Equivalents equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the registered holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder

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receives the notice. Each such notice of exchange will state the method by which the exchange of the shares of Common Stock and/or Common Stock Equivalents for Rights will be effected and, in the event of any partial exchange, the number of Rights that will be exchanged. Any partial exchange shall be effected as nearly pro rata as possible based on the number of Rights (other than Rights that have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In the event that the number of shares of Common Stock that are authorized by the Company's articles of incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit an exchange of Rights as contemplated in accordance with this Section 24, the Company may, at its option, take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon exchange of the Rights.

(d) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates or scrip evidencing fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, the Company shall pay to the registered holders of Rights with regard to which such fractional shares of Common Stock would otherwise be issuable an amount in cash equal to the same fraction of the value of a whole share of Common Stock. For purposes of this Section 24, the value of a whole share of Common Stock shall be the Closing Price per share of Common Stock for the Trading Day immediately prior to the date of exchange pursuant to this Section 24, and the value of any Common Stock Equivalent shall be deemed to have the same value as the Common Stock on such date.

#### Section 25. Notice of Certain Events.

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with any other Person (other than a wholly owned Subsidiary of the Company in a transaction that complies with Section 11(o) hereof), or to effect any sale, lease or other transfer of all or substantially all the Company's assets, cash flow or earning power to any other Person or Persons (other than a wholly owned Subsidiary of the Company in a transaction that complies with Section 11(o) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to be acquired pursuant to a share exchange, then, in each such case, the Company shall give to each holder of record of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, lease, transfer, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date

for determining holders of the shares of Preferred Stock for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Preferred Stock, whichever shall be the earlier. The failure to give notice required by this Section 25 or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote upon any such action.

(b) In case any Flip-In Event or Flip-Over Event shall occur, then the Company shall as soon as practicable thereafter give to each registered holder of a Rights Certificate (or if occurring prior to the Distribution Date, the registered holders of Common Stock), in accordance with Section 26 hereof, a

notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) or Section 13(a) hereof, and all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer to Common Stock and/or, if appropriate, other securities.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by certified mail, return receipt requested, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002  
Attention: General Counsel

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by certified mail, return receipt requested, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

JPMorgan Chase Bank  
600 Travis Street, Suite 1150  
Houston, Texas 77002  
Attention:

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. Prior to the time a Person becomes an Acquiring Person and subject to the penultimate sentence of this Section 27, the Company may in its sole and absolute discretion and the Rights Agent shall, if the Company so directs,

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supplement or amend any provision of this Agreement in any respect without the approval of any holders of Rights or holders of Common Stock. From and after the time a Person becomes an Acquiring Person and subject to the penultimate sentence of this Section 27, the Company may and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner that the Company may deem necessary or desirable; provided that no such amendment or supplement shall materially and adversely affect the interests of the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person) and further provided that this Agreement may not be supplemented or amended pursuant to this sentence to lengthen (A) a time period relating to when the Rights may be redeemed or (B) any other time period unless the lengthening of such other time period is for the purpose of protecting, enhancing or clarifying the rights of, and/or benefits to, the holders of Rights (other than any Acquiring Person and its Affiliates and Associates). Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment; provided, however, that the Rights Agent may, but shall not be obligated to, enter into any such supplement or amendment that affects the Rights Agent's own rights, duties or immunities under this Agreement. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made that decreases the Redemption Price.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Determinations and Actions by the Board of Directors, etc. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement. The Board of Directors of the Company (or, as set forth herein, certain specified members thereof) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors of the Company or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not redeem the Rights or to amend this Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) that are done or made by the Board of Directors of the Company in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties, and (y) not subject the Board of Directors to any liability to the holders of the Rights.

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Section 30. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock).

Section 31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors of the Company. Without limiting the foregoing, if any provision requiring that a determination be made by less than the entire Board of Directors of the Company is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then be made by the entire Board of Directors of the Company.

Section 32. Governing Law. This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Texas and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CENTERPOINT ENERGY, INC.

By \_\_\_\_\_

Name: \_\_\_\_\_

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

JPMORGAN CHASE BANK

By \_\_\_\_\_

Name: \_\_\_\_\_

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

Exhibit A

FORM OF  
STATEMENT OF RESOLUTION ESTABLISHING SERIES OF SHARES  
DESIGNATED  
SERIES A PREFERRED STOCK  
OF  
CENTERPOINT ENERGY, INC.

Pursuant to Article 2.13D of  
the Texas Business Corporation Act

Pursuant to the provisions of Article 2.13D of the Texas Business Corporation Act, the undersigned submits the following statement for the purpose of establishing and designating a series of shares of its Preferred Stock, without par value, designated "Series A Preferred Stock" and fixing and determining the relative rights and preferences thereof:

1. The name of the company is CENTERPOINT ENERGY, INC. (the "Company").

2. The following resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof, was duly adopted by all necessary action on the part of the Company on \_\_\_\_\_, 2001:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Company in accordance with the provisions of the Amended and Restated Articles of Incorporation of the Company, a series of Preferred Stock, without par value, of the Company be and hereby is created, and that the designation and number of shares thereof and the preferences, limitations and relative rights, including voting rights, of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

Series A Preferred Stock

1. Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series A Preferred Stock," and the number of shares

constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

## 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of shares of any class or series of stock of the Company ranking junior to the Series A

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Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of assets of the Company legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock, without par value, of the Company (the "Common Stock") or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. The "Adjustment Number" shall initially be 1,000. In the event the Company shall at any time after the time of the issuance by the Secretary of State of the State of Texas of the certificate of merger with respect to the merger of Reliant Energy MergerCo, Inc., a Texas corporation ("MergerCo"), with and into Reliant Energy, Incorporated, a Texas corporation ("REI"), pursuant to the Agreement and Plan of Merger dated as of October 19, 2001, by and among REI, MergerCo and the Company (the "Merger"), or, if a later effective time was provided in the articles of merger with respect to the Merger, such later time (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall

not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such

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shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon.

3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Each share of Series A Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the shareholders of the Company.

(B) Except as otherwise provided by law or the Amended and Restated Articles of Incorporation of the Company, the holders of shares of Series A Preferred Stock, the holders of shares of any other class or series entitled to vote with the Common Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, (1) the number of directors of the Company shall be increased by two, effective as of the time of election of such directors as herein provided, and (2) the holders of Preferred Stock (including holders of the Series A Preferred Stock) upon which these or like voting rights have been conferred and are exercisable (the "Voting Preferred Stock") with dividends in arrears in an amount equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect such two directors.

(ii) During any default period, such voting right of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that such voting right shall not be exercised unless the holders of at least one-third in number of the shares of Voting Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Voting Preferred Stock of such voting right.

(iii) Unless the holders of Voting Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Voting Preferred Stock, which meeting shall thereupon be called by the Chairman, the President, a Vice President or the Corporate Secretary of the Company. Notice of such meeting and of any annual meeting at which holders of Voting Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each

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holder of record of Voting Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or, in default of the calling of such meeting within 60 days after such order or request, such meeting may be called

on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Voting Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period, after the holders of Voting Preferred Stock shall have exercised their right to elect directors voting as a class, (x) the directors so elected by the holders of Voting Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class or classes of stock which elected the director whose office shall have become vacant. References in this paragraph (C) to directors elected by the holders of a particular class or classes of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Voting Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Voting Preferred Stock as a class shall terminate and (z) the number of directors shall be such number as may be provided for in the Amended and Restated Articles of Incorporation of the Company or the Amended and Restated Bylaws irrespective of any increase made pursuant to the provisions of paragraph (C) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Amended and Restated Articles of Incorporation of the Company or the Amended and Restated Bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

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(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Preferred Stock, or to all such holders and the holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative powers, preferences and rights of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to

purchase or otherwise acquire for consideration any shares of capital stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth in the Amended and Restated Articles of Incorporation of the Company.

6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) the Adjustment Number. Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall, subject to the prior rights of all other series of Preferred Stock, if any, ranking prior thereto, receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Preferred Stock and Common Stock, on a per share basis, respectively.

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(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) Neither the merger or consolidation of the Company into or with another Company nor the merger or consolidation of any other Company into or with the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6, but the sale, lease or conveyance of all or substantially all of the Company's assets shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6.

7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination, share exchange or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8. Redemption. (A) The Company, at its option, may redeem shares of the Series A Preferred Stock in whole at any time and in part from time to time, at a redemption price equal to the Adjustment Number times the current per share market price (as such term is hereinafter defined) of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. The "current per share



market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the ten consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Common Stock is determined during a period following the announcement of (A) a dividend or distribution on the Common Stock other than a regular quarterly cash dividend or (B) any subdivision, combination or reclassification of such Common Stock and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of such ten Trading Day period, then, and in each such case, the current per share market price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sales price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but sales price information is reported for such security, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("Nasdaq") or such other self-regulatory organization or registered securities information

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processor (as such terms are used under the Securities Exchange Act of 1934, as amended) that then reports information concerning the Common Stock, or, if sales price information is not so reported, the average of the high bid and low asked prices in the over-the-counter market on such day, as reported by Nasdaq or such other entity, or, if on any such date the Common Stock is not quoted by any such entity, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors. If on any such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but is quoted by Nasdaq, a day on which Nasdaq reports trades, or, if the Common Stock is not so quoted, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York or Texas are not authorized or obligated by law or executive order to close.

(B) In the event that fewer than all of the outstanding shares of the Series A Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method that may be determined by the Board of Directors in its sole discretion to be equitable.

(C) Notice of any such redemption shall be given by mailing to the holders of the shares of Series A Preferred Stock to be redeemed a notice of such redemption, first class postage prepaid, not later than the twentieth day and not earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Company. Each such notice shall state: (i) the redemption date; (ii) the number of shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the shareholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series A Preferred Stock shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock that are to be redeemed. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Company at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. If fewer than all the shares

represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(D) The shares of Series A Preferred Stock shall not be subject to the operation of any purchase, retirement or sinking fund.

9. Ranking. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock (other than any such series of Preferred Stock the terms of which shall provide

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otherwise) in respect to dividend and liquidation rights, and shall rank senior to the Common Stock as to such matters.

10. Amendment. At any time that any shares of Series A Preferred Stock are outstanding, the Amended and Restated Articles of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, CENTERPOINT ENERGY, INC. has caused this Statement to be executed on its behalf by the undersigned officer this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

CENTERPOINT ENERGY, INC.

-----  
Name:  
Title:

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Exhibit B

[Form of Rights Certificate]

Certificate No. R- \_\_\_\_\_ Rights

NOT EXERCISABLE AFTER DECEMBER 31, 2011 OR EARLIER IF REDEEMED OR EXCHANGED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.005 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS BENEFICIALLY OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

RIGHTS CERTIFICATE

CENTERPOINT ENERGY, INC.

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of \_\_\_\_\_, 2002 as it may from

time to time be supplemented or amended (the "Rights Agreement"), between CenterPoint Energy, Inc., a Texas corporation (the "Company"), and JPMorgan Chase Bank (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 p.m. (New York City time) on \_\_\_\_\_, 20\_\_ at the office or offices designated by the Rights Agent for such purpose, or its successors as Rights Agent, one one-thousandth of a fully paid, nonassessable share (a "Fractional Share") of Series A Preferred Stock (the "Preferred Stock") of the Company, at a purchase price of \$42.50 per one one-thousandth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate set forth on the reverse hereof duly executed. The Purchase Price may be paid in cash or by certified check, cashier's or official bank check or bank draft payable to the order of the Company or the Rights Agent. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per Fractional Share set forth above, are the number and Purchase Price as of \_\_\_\_\_, 2002, based on the Preferred Stock as constituted at such date. The Company reserves the right to require prior to the occurrence of a Triggering Event (as such term is defined in the Rights Agreement) that a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

From and after the first occurrence of a Triggering Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Rights Certificate are beneficially owned by or transferred to (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such

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Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, concurrently with or after such transfer, became an Acquiring Person or an Affiliate or Associate of an Acquiring Person, such Rights shall, with certain exceptions, become null and void in the circumstances set forth in the Rights Agreement, and no holder hereof shall have any rights whatsoever with respect to such Rights from and after the occurrence of such Triggering Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities or assets that may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office or offices designated by the Rights Agent for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Fractional Shares of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at its option at a redemption price of \$.005 per Right, payable, at the election of the Company, in cash or shares of Common Stock or such other consideration as the Board of Directors may determine, at any time prior to the time a Person becomes an Acquiring Person or (ii) may be exchanged in whole or in part for shares of the Company's Common Stock, without par value, and/or other equity securities of

the Company deemed to have the same value as shares of Common Stock, at any time prior to a person's becoming the beneficial owner of 50% or more of the shares of Common Stock outstanding or the occurrence of a Flip-Over Event.

No fractional shares of Preferred Stock are required to be issued upon the exercise of any Right or Rights evidenced hereby (other than, except as set forth above, fractions that are integral multiples of a Fractional Share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment may be made, as provided in the Rights Agreement.

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No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of \_\_\_\_\_, 2002

ATTEST: CENTERPOINT ENERGY, INC.

-----  
Secretary By -----  
Title:

Countersigned:

JPMORGAN CHASE BANK

By -----  
Authorized Signature

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[Form of Reverse Side of Rights Certificate]

#### FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer any Rights evidenced by the Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells,  
assigns and transfers unto \_\_\_\_\_

(Please print name and address of transferee)

\_\_\_\_\_ Rights evidenced by this Rights Certificate, together with all right,  
title and interest therein, and does hereby irrevocably constitute and appoint  
\_\_\_\_\_ Attorney, to transfer the said Rights on the books of the  
within-named Company, with full power of substitution.

Dated: \_\_\_\_\_, 20  
----- --

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a national securities  
exchange, a member of the National Association of Securities Dealers, Inc., a  
commercial bank or trust company having an office or correspondent in the United  
States or another eligible guarantor institution (as defined pursuant to Rule  
17Ad-15 under the Securities Exchange Act of 1934, as amended).

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#### CERTIFICATE

The undersigned hereby certifies by checking the appropriate  
boxes that:

(1) the Rights evidenced by this Rights Certificate [ ] are [ ]  
are not being sold, assigned and transferred by or on behalf of a Person who is  
or was an Acquiring Person or an Affiliate or Associate of an Acquiring Person  
(as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the  
undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights  
Certificate from any Person who is, was or subsequently became an Acquiring  
Person or an Affiliate or Associate of an Acquiring Person or who is a direct or  
indirect transferee of an Acquiring Person or of an Affiliate or Associate of an  
Acquiring Person.

Dated: \_\_\_\_\_, 20  
----- --

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a national securities  
exchange, a member of the National Association of Securities Dealers, Inc., a  
commercial bank or trust company having an office or correspondent in the United  
States or another eligible guarantor institution (as defined pursuant to Rule  
17Ad-15 under the Securities Exchange Act of 1934, as amended).

#### NOTICE

The signatures to the foregoing Assignment and Certificate must  
correspond to the name as written upon the face of this Rights Certificate in  
every particular, without alteration or enlargement or any change whatsoever.

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#### FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise  
Rights represented by the Rights Certificate.)

To: CENTERPOINT ENERGY, INC.

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_  
Rights represented by this Rights Certificate to purchase the shares of  
Preferred Stock issuable upon the exercise of the Rights (or such other  
securities of the Company or of any other person that may be issuable upon the  
exercise of the Rights) and requests that certificates for such shares (or other  
securities) be issued in the name of and delivered to:

Please insert social security  
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced  
by this Rights Certificate, a new Rights Certificate for the balance of such  
Rights shall be registered in the name of and delivered to:

Please insert social security  
or other identifying number

(Please print name and address)

Dated: \_\_\_\_\_, 20  
----- --

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a national securities  
exchange, a member of the National Association of Securities Dealers, Inc., a  
commercial bank or trust company having an office or correspondent in the United  
States or another eligible guarantor institution (as defined pursuant to Rule  
17Ad-15 under the Securities Exchange Act of 1934, as amended).

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#### CERTIFICATE

The undersigned hereby certifies by checking the appropriate  
boxes that:

(1) the Rights evidenced by this Rights Certificate [ ] are [ ]  
are not being exercised by or on behalf of a Person who is or was an Acquiring  
Person or an Affiliate or Associate of an Acquiring Person (as such terms are  
defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the  
undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights  
Certificate from any Person who is, was or became an Acquiring Person or an  
Affiliate or Associate of an Acquiring Person or who is a direct or indirect  
transferee of an Acquiring Person or of an Affiliate or Associate of an  
Acquiring Person.

Dated: \_\_\_\_\_, 20  
----- --

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a national securities  
exchange, a member of the National Association of Securities Dealers, Inc., a  
commercial bank or trust company having an office or correspondent in the United  
States or another eligible guarantor institution (as defined pursuant to Rule  
17Ad-15 under the Securities Exchange Act of 1934, as amended).

NOTICE

The signatures to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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Exhibit C

UNDER CERTAIN CIRCUMSTANCES SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS BENEFICIALLY OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), AND CERTAIN TRANSFERREES THEREOF, WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

SUMMARY OF RIGHTS TO PURCHASE PREFERRED STOCK

Effective \_\_\_\_\_, 2001, the Board of Directors of CenterPoint Energy, Inc. (the "Company") authorized the issuance of one right ("Right") for each share of the Company's Common Stock, without par value ("Common Stock"), of the Company issued from and after the Effective Time. Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share (a "Fractional Share") of Series A Preferred Stock, without par value (the "Preferred Stock"), at a purchase price of \$42.50 per Fractional Share, subject to adjustment (the "Purchase Price"). The description and terms of the Rights are set forth in a Rights Agreement, dated as of \_\_\_\_\_, 2001, as it may from time to time be supplemented or amended (the "Rights Agreement"), between the Company and JPMorgan Chase Bank, as Rights Agent.

Detachment of Rights; Exercisability. Initially, the Rights will be attached to all Common Stock certificates, and no separate certificates for the Rights ("Rights Certificates") will be distributed. The Rights will separate from the Common Stock and a "Distribution Date" will occur, with certain exceptions, upon the earlier of (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of Common Stock (the date of the announcement being the "Stock Acquisition Date"), or (ii) ten business days following the commencement of a tender offer or exchange offer that would result in a person's becoming an Acquiring Person. In certain circumstances, the Distribution Date may be deferred by the Board of Directors. Certain inadvertent acquisitions will not result in a person's becoming an Acquiring Person if the person promptly divests itself of sufficient Common Stock. Until the Distribution Date, (a) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (b) new Common Stock certificates issued will contain a notation incorporating the Rights Agreement by reference and (c) the surrender for transfer of any Common Stock certificate will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on December 31, 2011, unless earlier redeemed or exchanged by the Company as described below.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of Common Stock as of the close of business on the Distribution Date and, from and after the Distribution Date, the separate Rights Certificates alone will represent the Rights. All shares of Common Stock issued prior to the Distribution Date will be issued with Rights. Shares of Common Stock issued after the Distribution Date in connection with certain employee benefit plans or upon conversion of certain securities will be

issued with Rights. Except as otherwise determined by the Board of Directors, no other shares of Common Stock issued after the Distribution Date will be issued with Rights.

Flip-In. In the event (a "Flip-In Event") that a person becomes an Acquiring Person (except pursuant to a tender or exchange offer for all outstanding shares of Common Stock at a price and on terms that a majority of the independent directors of the Company determines to be fair to and otherwise in the best interests of the Company and its shareholders (a "Permitted Offer")), each holder of a Right will thereafter have the right to receive, upon exercise of such Right, a number of shares of Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a Current Market Price (as defined in the Rights Agreement) equal to two times the exercise price of the Right. Notwithstanding the foregoing, following the occurrence of any Triggering Event, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by or transferred to an Acquiring Person (or by certain related parties) will be null and void in the circumstances set forth in the Rights Agreement.

Flip-Over. In the event (a "Flip-Over Event") that, at any time from and after the time an Acquiring Person becomes such, (i) the Company is acquired in a merger or other business combination transaction (other than certain mergers that follow a Permitted Offer), or (ii) 50% or more of the Company's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights that are voided as set forth above) shall thereafter have the right to receive, upon exercise, a number of shares of common stock of the acquiring company having a Current Market Price equal to two times the exercise price of the Right. Flip-In Events and Flip-Over Events are collectively referred to as "Triggering Events."

Preferred Stock. After the Distribution Date, each Right will entitle the holder to purchase a Fractional Share of Preferred Stock, which will be essentially the economic equivalent of one share of Common Stock.

Antidilution. The number of outstanding Rights associated with a share of Common Stock, the number of Fractional Shares of Preferred Stock issuable upon exercise of a Right and the Purchase Price, are subject to adjustment in the event of certain stock dividends on, or a subdivision, combination or reclassification of, the Common Stock occurring prior to the Distribution Date. The Purchase Price payable, and the number of Fractional Shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution in the event of certain transactions affecting the Preferred Stock.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional shares of Preferred Stock that are not integral multiples of a Fractional Share are required to be issued and, in lieu thereof, an adjustment in cash may be made based on the market price of the Preferred Stock on the last trading date prior to the date of exercise. Pursuant to the Rights Agreement, the Company reserves the right to require prior to the occurrence of a Triggering Event that, upon

C-2

any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

Redemption of Rights. At any time until the time a person becomes an Acquiring Person, the Company may redeem the Rights in whole, but not in part, at a price of \$.005 per Right, payable, at the option of the Company, in cash, shares of Common Stock or such other consideration as the Board of Directors may determine. Immediately upon the effectiveness of the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the \$.005 redemption price.

Exchange of Rights. At any time after the occurrence of a Flip-In Event and prior to a person's becoming the beneficial owner of 50% or



more of the shares of Common Stock then outstanding or the occurrence of a Flip-Over Event, the Company may exchange the Rights (other than Rights owned by an Acquiring Person or an affiliate or an associate of an Acquiring Person, which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock, and/or other equity securities deemed to have the same value as one share of Common Stock, per Right, subject to adjustment.

Substitution. If the Company has an insufficient number of authorized but unissued shares of Common Stock available to permit an exercise or exchange of Rights upon the occurrence of a Flip-In Event, it may substitute certain other types of property for the Common Stock so long as the total value received by the holder of the Rights is equivalent to the value of the Common Stock that would otherwise have been received. The Company may substitute cash, property, equity securities or debt of the Company, effect a reduction in the exercise price of the Right or use any combination of the foregoing.

No Rights as a Shareholder. Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

Amendment of Terms of Rights. Other than the Redemption Price, any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the time a Person becomes an Acquiring Person. Thereafter, the provisions of the Rights Agreement may be amended by the Board of Directors in order to cure any ambiguity, defect or inconsistency or to make changes that do not materially and adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person).

Rights Agent. JPMorgan Chase Bank serves as Rights Agent with regard to the Rights.

Rights Agreement; Summary. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

[BAKER BOTTS LETTERHEAD]

001166.1171

November 5, 2001

Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002

CenterPoint Energy, Inc.  
1111 Louisiana Street  
Houston, Texas 77002

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-4 (Registration No. 333-69502) (the "Registration Statement") filed by CenterPoint Energy, Inc. (formerly Reliant Energy Regco, Inc.) (the "Company"), a Texas corporation and wholly owned subsidiary of Reliant Energy Incorporated, a Texas corporation ("Reliant Energy"), with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the registration of up to 306,456,613 shares (the "Shares") of the Company's common stock, without par value, including associated rights (the "Rights") to purchase Series A Preferred Stock, without par value, of the Company. The Shares and Rights are issuable in connection with the merger (the "Merger") of Reliant Energy MergerCo, Inc., a Texas corporation ("MergerCo"), with and into Reliant Energy, as more fully described in the Agreement and Plan of Merger dated as of October 19, 2001 (the "Merger Agreement") by and among Reliant Energy, MergerCo, and the Company.

You have asked us to pass upon for you certain legal matters with respect to the Shares and the Rights to be issued in connection with the transaction referred to above. In our capacity as counsel to the Company in connection with such transaction, we have examined the Articles of Incorporation and the Bylaws of the Company, each as amended to date, the Merger Agreement, a form of Rights Agreement governing the Rights (the "Rights Agreement") and the originals, or copies certified or otherwise identified, of corporate records of the Company, including minute books of the Company as furnished to us by the Company, certificates of public officials and of representatives of the Company, statutes and other instruments and documents as a basis for the opinions hereinafter expressed. In giving such opinions, we have relied upon certificates of officers of the Company and of public officials with respect to the accuracy of the material factual matters contained in such certificates.

In making our examination, we have assumed that all signatures on documents examined by us are genuine, that all documents submitted to us as originals are authentic and that all documents submitted to us as certified or photostatic copies conform with the original copies of such documents. In giving such opinions, we have assumed that prior to the effective time of the Merger the Rights Agreement will have been duly authorized, executed and delivered by the Rights Agent (as defined in the Rights Agreement).

CenterPoint Energy

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November 5, 2001

Based on our examination and assumptions as aforesaid, we are of the opinion that:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of Texas.
2. The Shares issued pursuant to the Merger in accordance with the terms of the Merger Agreement, when so issued, will be duly authorized, validly issued, fully paid and nonassessable.
3. The issuance of the Rights has been duly authorized by all necessary corporate action on the part of the Company, and upon issuance in accordance with the terms of the Rights Agreement, the

Rights will be validly issued.

The opinion set forth in paragraph 3 above is limited to the valid issuance of the Rights under the Texas Business Corporation Act. In this connection, we do not express any opinion herein on any other aspect of the Rights, the effect of any equitable principles or fiduciary considerations relating to the adoption of the Rights Agreement or the issuance of the Rights, the enforceability of any particular provisions of the Rights Agreement, or the provisions of the Rights Agreement which discriminate or create unequal voting power among shareholders.

We are members of the Texas Bar and the opinions set forth above are limited in all respects to matters of Texas law as in effect on the date hereof. At your request, this opinion is being furnished to you for filing as Exhibit 5 to the Registration Statement. We hereby consent to the reference to our Firm under the caption "Legal Matters" in the Joint Proxy Statement/Prospectus included in the Registration Statement. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ BAKER BOTTS, L.L.P.

BAKER BOTTS, L.L.P.

[BAKER BOTTS L.L.P. LETTERHEAD]

001166.1171

November 5, 2001

Board of Directors  
Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002

Board of Directors  
CenterPoint Energy, Inc.  
1111 Louisiana  
Houston, Texas 77002

Ladies and Gentlemen:

We have acted as counsel to Reliant Energy, Incorporated, a Texas corporation ("Reliant"), in connection with (i) a restructuring (the "Holding Company Formation") in which Reliant and its subsidiaries will become indirect subsidiaries of a new holding company, CenterPoint Energy, Inc. ("CenterPoint Energy") through the merger of an indirect subsidiary of CenterPoint Energy with and into Reliant; and (ii) the preparation and filing of the Registration Statement (Registration No. 333-69502) of CenterPoint Energy (including its proxy statement and prospectus) on Form S-4, dated September 17, 2001, as amended by Amendment No. 1, dated November 5, 2001 (the "Proxy Statement/Prospectus") with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act").

Subject to (i) the assumption that the Holding Company Formation will be carried out as described in the Proxy Statement/Prospectus, (ii) the assumptions and qualifications set forth in the discussion in the Proxy Statement/Prospectus at "Proposal to Approve the Holding Company Formation - Federal Income Tax Consequences" and (iii) the assumption that the opinions of our firm described in the Proxy Statement/Prospectus at "Proposal to Approve the Holding Company Formation - Federal Income Tax Consequences" shall be delivered as there described, we hereby confirm the opinions of our firm that are attributed to us in the Proxy Statement/Prospectus at "Proposal to Approve the Holding Company Formation - Federal Income Tax Consequences." We do not express any other opinion as to the United States federal, state, or other tax consequences of the Holding Company Formation.

BAKER BOTTS L.L.P.  
Board of Directors

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November 5, 2001

This letter is furnished to you solely for use in connection with the Holding Company Formation and is not to be relied upon by any other person, quoted in whole or in part, or otherwise referred to (except in a list of closing documents) without our express written consent. We hereby consent to the filing of this letter as an exhibit to the Registration Statement and to the reference to our name in the Proxy Statement/Prospectus at "Summary - The Holding Company Formation - Federal Income Tax Consequences", "Proposal to Approve the Holding Company Formation - Federal Income Tax Consequences", "Proposal to Approve the Holding Company Formation - Other Conditions; Termination" and "Legal Matters". In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of the rules and regulations of the SEC thereunder.

Sincerely,

/s/ BAKER BOTTS L.L.P.

BAKER BOTTS L.L.P.



INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of CenterPoint Energy, Inc. (formerly Reliant Energy Regco, Inc.) and its subsidiaries (the "Company") on Form S-4 of our report dated March 16, 2001 on the consolidated financial statements of Reliant Energy, Incorporated and related financial statement schedule, appearing in the Annual Report on Form 10-K of Reliant Energy, Incorporated for the year ended December 31, 2000; and to the use of our report on the consolidated balance sheet of the Company dated November 5, 2001, appearing in the joint proxy statement/ prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in the Company's joint proxy statement/prospectus, which is part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas

November 5, 2001

RELIANT ENERGY, INCORPORATED

PROXY COMMON STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints R. Steve Letbetter, O. Holcombe Crosswell, and Robert J. Cruikshank, and each of them, as proxies, with full power of substitution, to vote as designated on the reverse side, all shares of common stock held by the undersigned at the special meeting of shareholders of Reliant Energy, Incorporated to be held December 17, 2001, at 2 p.m. (CST) in the Reliant Energy Plaza auditorium, 1111 Louisiana Street, Houston, Texas, or any adjournments thereof.

IF YOU WISH TO VOTE IN ACCORDANCE WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS, YOU MAY JUST SIGN AND DATE BELOW AND MAIL IN THE POSTAGE-PAID ENVELOPE PROVIDED. A SPECIFIC CHOICE MAY BE MADE ON THE REVERSE SIDE. IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY, THE SHARES REPRESENTED WILL BE VOTED IN ACCORDANCE WITH THE BOARD'S RECOMMENDATION.

DATED:

-----, 2001

SIGNATURE:

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SIGNATURE:

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NOTE: PLEASE SIGN EXACTLY AS NAME(S) APPEARS HEREON. JOINT OWNERS SHOULD EACH SIGN. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE.

RELIANT ENERGY, INCORPORATED

PROXY -- (CONTINUED)

2001 SPECIAL MEETING OF SHAREHOLDERS

Your Board of Directors recommends that you vote FOR the approval of the Agreement and Plan of Merger, dated as of October 19, 2001, by and among Reliant Energy, Incorporated, CenterPoint Energy, Inc. and Reliant Energy MergerCo., Inc., pursuant to which CenterPoint Energy, Inc. will become the parent company of Reliant Energy and each share of Reliant Energy common stock will be automatically converted into one share of CenterPoint Energy, Inc. common stock.

Approval of the Agreement and Plan of Merger, dated as of October 19, 2001, by and among Reliant Energy, Incorporated, CenterPoint Energy, Inc. and Reliant Energy MergerCo, Inc.

☐ FOR            ☐ AGAINST            ☐ ABSTAIN

Please check this box if you plan to attend the Special Meeting.    ☐

CONSENT OF PERSON NAMED TO BECOME AN OFFICER

I hereby consent to the use of my name and any references to me as a person nominated to become an officer of the successor to Reliant Energy, Incorporated, a Texas corporation, and of CenterPoint Energy, Inc., a Texas corporation (the "Company"), in the Registration Statement of the Company on Form S-4, and any and all amendments or supplements thereto, to be filed with the U.S. Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended.

Dated: 10/31/01

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/s/ STEPHEN C. SCHAEFFER

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Stephen C. Schaeffer