

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): FEBRUARY 23, 1999

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HOUSTON INDUSTRIES INCORPORATED  
d/b/a RELIANT ENERGY, INCORPORATED  
(Exact name of registrant as specified in its charter)\*

TEXAS	1-3187	74-0694415
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 LOUISIANA HOUSTON, TEXAS	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 207-3000

\* On May 5, 1999, the registrant's shareholders will vote on a proposal to amend the Articles of Incorporation of the registrant to change its name from "Houston Industries Incorporated" to "Reliant Energy, Incorporated."

ITEM 5. OTHER EVENTS.

On February 23, 1999, Houston Industries Incorporated d/b/a Reliant Energy, Incorporated (the "Company") and REI Trust I (the "Trust") entered into an Underwriting Agreement covering the issue and sale by the Trust of 15,000,000 7.20% Trust Originated Preferred Securities, Series C (liquidation amount \$25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities were registered under the Securities Act of 1933, as amended, pursuant to the shelf registration statement (Registration Statement Nos. 333-70665, 333-70665-01 and 333-70665-02) of the Company, the Trust and REI Trust II (formerly known as HI Trust II).

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The following exhibits are filed herewith:

- 1.1 Underwriting Agreement, dated as of February 23, 1999, among the Company, the Trust and Merrill Lynch, Pierce, Fenner & Smith Incorporated, A.G. Edwards & Sons, Inc., Goldman, Sachs & Co., NationsBanc Montgomery Securities LLC, PaineWebber Incorporated, Prudential Securities Incorporated and Salomon Smith Barney Inc., as Representatives of the Underwriters set forth therein.
- 4.1 Junior Subordinated Indenture, dated as of February 15, 1999, between the Company and The Bank of New York, as Trustee.
- 4.2 Supplemental Indenture No. 1, dated as of February 15, 1999, providing for the issuance of the Company's 7.20% Junior Subordinated Debentures due 2048.
- 4.3 Amended and Restated Declaration of Trust, dated as of February 26, 1999, of the Trust.
- 4.4 Form of Preferred Security of the Trust (included in Exhibit 4.3 above).
- 4.5 Form of 7.20% Junior Subordinated Debenture due 2048 (included in Exhibit 4.2 above).
- 4.6 Guarantee Agreement, dated as of February 26, 1999, relating to the Trust.
- 8.1 Opinion of Baker & Botts, L.L.P. as to certain tax matters.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOUSTON INDUSTRIES INCORPORATED  
d/b/a RELIANT ENERGY, INCORPORATED

Date: February 25, 1999

By: /s/ MARY P. RICCIARDELLO

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Mary P. Ricciardello  
Vice President and Comptroller

REI Trust I

7.20% Trust Originated Preferred Securities, Series C  
guaranteed to the extent set forth in the Guarantee by

Houston Industries Incorporated d/b/a  
Reliant Energy, Incorporated

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Underwriting Agreement

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February 23, 1999

Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
A.G. Edwards & Sons, Inc.  
Goldman, Sachs & Co.  
NationsBanc Montgomery Securities LLC  
PaineWebber Incorporated  
Prudential Securities Incorporated  
Salomon Smith Barney Inc.  
As Representatives  
c/o Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
World Financial Center  
North Tower  
New York, New York 10281

Ladies and Gentlemen:

REI Trust I, a statutory business trust created under the laws of the State of Delaware and formerly known as HI Trust I (the "Trust"), and Houston Industries Incorporated d/b/a Reliant Energy, Incorporated, a Texas corporation, as sponsor of the Trust and as guarantor (the "Guarantor"), propose, subject to the terms and conditions stated herein, that the Trust issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of \$375,000,000 liquidation amount of 7.20% Trust Originated Preferred Securities, Series C (liquidation amount \$25 per preferred security) (the "Securities") representing undivided beneficial interests in the assets of the Trust, guaranteed by the Guarantor as to the payment of distributions, and as to payments on

liquidation or redemption, to the extent set forth in a guarantee agreement (the "Guarantee") among the Guarantor and The Bank of New York, as trustee (the "Guarantee Trustee"). The proceeds of the sale of the Securities and an aggregate of \$11,598,000 liquidation amount of the Trust's Common Securities (liquidation amount \$25 per common security) (the "Common Securities") are to be invested by the Trust in 7.20% Junior Subordinated Debentures due 2048 (the "Subordinated Debentures") of the Guarantor to be issued pursuant to a Junior Subordinated Indenture, dated as of February 15, 1999, among the Guarantor and The Bank of New York, as trustee (the "Debenture Trustee"), as supplemented by Supplemental Indenture No. 1 (as so supplemented, the "Indenture").

1. Representations and Warranties of the Guarantor and the Trust.

The Guarantor and the Trust jointly and severally represent and warrant to, and agree with, each of the Underwriters that:

(i) A registration statement on Form S-3, as amended, with respect to the Securities, the Subordinated Debentures and the Guarantee (File Nos. 333-70665, 333-70665-01 and 333-70665-02) including a prospectus (any preliminary prospectus included in such registration statement being hereinafter referred to as a "Preliminary Prospectus"), copies of which have been delivered to you, has been prepared and filed by the Guarantor and the Trust with the Securities and Exchange Commission (the "Commission") and has been declared effective under the Securities Act of 1933, as amended (the "Act"). No stop order suspending the effectiveness of such registration statement, as amended, has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Guarantor and the Trust, threatened by the Commission. Such registration statement (including all documents filed as part thereof or incorporated by reference therein, but excluding any Forms T-1, as amended), as amended and supplemented at the date of this Agreement is hereinafter referred to as to the "Registration Statement." The Prospectus contained in the Registration Statement at the time that the Registration Statement was declared effective is hereinafter referred to as the "Basic Prospectus."

The prospectus included in the Registration Statement, as amended and supplemented to the date of this Agreement (including all documents then incorporated by reference therein and including the Preliminary Supplemented Prospectus (hereinafter defined) as further supplemented by the Final Supplemented Prospectus (hereinafter defined)), is hereinafter referred to as the "Prospectus". Any reference herein to the Registration Statement, the Prospectus, a Preliminary Prospectus, the Basic Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus shall be deemed to refer to and include the documents incorporated by reference therein, or deemed to be incorporated by reference therein, and filed under the Securities Exchange Act of 1934, as

amended (the "Exchange Act"), on or before the date of such Registration Statement, Prospectus, Preliminary Prospectus, Basic Prospectus, Preliminary Supplemented Prospectus or Final Supplemented Prospectus. Any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include, without limitation, the filing of any document under the Exchange Act deemed to be incorporated therein by reference after the date of such Registration Statement or Prospectus.

A prospectus supplement, subject to completion, dated February 18, 1999 (the "Preliminary Supplemented Prospectus") has been prepared and was filed pursuant to Rule 424(b) under the Act ("Rule 424(b)") on February 18, 1999. A prospectus supplement, dated the date hereof, setting forth the terms of the Securities and of their sale and distribution (the "Final Supplemented Prospectus") has been prepared and will be filed pursuant to Rule 424(b).

(ii) On the effective date of the Registration Statement, the Registration Statement, as amended and supplemented at that time, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "TIA"), and the applicable rules and regulations of the Commission thereunder, and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; on the date of the Preliminary Supplemented Prospectus, the Preliminary Supplemented Prospectus conformed in all material respects to the requirements of the Act and the applicable rules and regulations of the Commission thereunder, and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and on the date of this Agreement, the Registration Statement and the Prospectus conform, and at the Time of Delivery (hereinafter defined) they will conform, in all material respects to the requirements of the Act and the TIA and the applicable rules and regulations of the Commission thereunder, and on the date of this Agreement do not, and on the Time of Delivery will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(iii) Each document filed or to be filed pursuant to the Exchange Act and incorporated by reference, or deemed to be incorporated by reference in the Prospectus (including any document to be filed pursuant to the Exchange Act which will constitute an amendment to the Prospectus) conformed or, when so filed, will conform in all material respects to the requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, and none of such documents included or, when so filed, will include any untrue statement of

a material fact or omitted or, when so filed, will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(iv) The Trust has been duly created and is validly existing in good standing as a business trust under the laws of the State of Delaware, with trust power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus and, based on expected operations and law in effect on the date hereof, the Trust will be classified as a grantor trust and will not be classified as an association taxable as a corporation for United States federal income tax purposes;

(v) This Agreement has been duly authorized, executed and delivered by the Guarantor and the Trust;

(vi) The Securities have been duly authorized by the Declaration (as defined below), and, when issued and delivered pursuant to this Agreement, such Securities will be duly and validly issued and, subject to the qualifications set forth herein, fully paid and non-assessable undivided beneficial interests in the assets of the Trust entitled to the benefits provided by the Amended and Restated Declaration of Trust of REI Trust I (the "Declaration") among the Guarantor and the Trustees named therein (the "Trustees") (subject to the terms of the Declaration); provided that the holders of the Securities (the "Securityholders") may be obligated, pursuant to the Declaration, to (a) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Securities certificates and the issuance of replacement Securities certificates and (b) provide security and indemnity in connection with requests of or directions to the Property Trustee (as defined in the Declaration) to exercise its rights and remedies under the Declaration; and the Securities conform to the description thereof contained in the Final Supplemented Prospectus;

(vii) The Securityholders will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware;

(viii) The Common Securities have been duly authorized by the Declaration, and upon delivery by the Trust to the Guarantor against payment therefor as set forth in the Declaration, will be duly and validly issued undivided beneficial interests in the assets of the Trust and conform to the description thereof contained in the Final Supplemented Prospectus; the issuance of the Common Securities is not subject to preemptive or other similar rights; and at the Time of Delivery, all of the issued and outstanding Common Securities will be directly owned by the Guarantor

free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity;

(ix) The Guarantee, the Declaration, the Subordinated Debentures and the Indenture (the Guarantee, the Declaration, the Subordinated Debentures and the Indenture being collectively referred to as the "Guarantor Agreements") have each been duly authorized by the Guarantor and when validly executed and delivered by the Guarantor and, in the case of the Guarantee, by the Guarantee Trustee, in the case of the Declaration, by the Trustees and, in the case of the Indenture, by the Debenture Trustee, and, in the case of the Subordinated Debentures, when validly issued by the Guarantor and duly authenticated and delivered by the Debenture Trustee, will constitute valid and legally binding obligations of the Guarantor, enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law); the Subordinated Debentures when validly issued by the Guarantor and duly authenticated and delivered by the Debenture Trustee, will be entitled to the benefits of the Indenture; and the Guarantor Agreements conform to the descriptions thereof in the Final Supplemented Prospectus;

(x) The issue and sale of the Securities by the Trust, the compliance by the Trust with all of the provisions of this Agreement, the Securities and the Declaration, the purchase of the Subordinated Debentures by the Trust, the execution, delivery and performance by the Trust of the Declaration and the consummation of the transactions contemplated herein and therein will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Trust is a party or by which the Trust is bound or to which any of the property or assets of the Trust is subject, nor will such action result in any violation of the provisions of the Declaration or any existing statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Trust or any of its properties; the Commission has issued an order under the Act declaring the Registration Statement effective and qualifying the Guarantee, the Declaration and the Indenture under the TIA and no other consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities and the Common Securities by the Trust, the purchase of the Subordinated Debentures by the Trust or the consummation by the Trust of the transactions contemplated by this Agreement, except such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky

laws in connection with the purchase and distribution of the Securities by the Underwriters;

(xi) The issuance by the Guarantor of the Guarantee and the Subordinated Debentures, the compliance by the Guarantor with all of the provisions of this Agreement, the Guarantee, the Subordinated Debentures, the Declaration and the Indenture, the execution, delivery and performance by the Guarantor of the Guarantor Agreements, and the consummation of the transactions contemplated herein and therein will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument for borrowed money to which the Guarantor or any Significant Subsidiary (as defined by Regulation S-X) of the Guarantor (each, a "Significant Subsidiary") is a party or by which the Guarantor or any Significant Subsidiary is bound or to which any of the property or assets of the Guarantor or any Significant Subsidiary is subject, nor will such action result in any violation of the provisions of the Restated Articles of Incorporation or Amended and Restated By-laws of the Guarantor or any existing statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Guarantor or any of its or its Significant Subsidiaries' properties; the Commission has issued an order under the Act declaring the Registration Statement effective and qualifying the Guarantee, the Declaration and the Indenture under the TIA and no other consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue of the Guarantee or the Subordinated Debentures or the consummation by the Guarantor of the other transactions contemplated by this Agreement or the Guarantor Agreements, except such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the issuance by the Guarantor of the Guarantee and the Subordinated Debentures;

(xii) The Trust is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company", or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

## 2. Sale and Delivery.

(a) Subject to the terms and conditions herein set forth, the Guarantor and the Trust agree to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Trust, at the price per Security set forth in Schedule II hereto, the liquidation amount of Securities set forth opposite the name of such Underwriters in Schedule I hereto.

(b) As compensation to the Underwriters for their commitments hereunder, and in view of the fact that the proceeds of the sale of the Securities will be used by the Trust to purchase the Subordinated Debentures of the Guarantor, the Guarantor hereby agrees to pay at the Time of Delivery to Merrill Lynch, Pierce, Fenner & Smith Incorporated ("ML"), for the accounts of the several Underwriters, a commission per Security as set forth on Schedule II for the Securities to be delivered at the Time of Delivery by wire transfer of Federal (same-day) funds. The total aggregate amount of the Underwriters' compensation is \$11,812,500, assuming no sales of 10,000 or more Securities are made to a single purchaser.

(c) The Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global Securities in book-entry form which will be deposited by or on behalf of the Trust with The Depository Trust Company ("DTC") or its designated custodian. The Trust will deliver the Securities to ML, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same day) funds to a commercial bank account located in the United States and designated in writing at least forty-eight hours prior to the Time of Delivery by the Guarantor to ML, by causing DTC to credit the Securities to the account of ML. The Trust will cause the global certificates representing the Securities to be made available to ML for checking at least twenty-four hours prior to the Time of Delivery at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on February 26, 1999 or such other time and date as ML and the Guarantor may agree upon in writing. Such time and date are herein called the "Time of Delivery".

(d) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 5 hereof, including the cross-receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 5(1) hereof, will be delivered at such time and date at the offices of Baker & Botts, L.L.P., 910 Louisiana, Houston, Texas 77002 or such other location as ML and the Guarantor may agree in writing (the "Closing Location"), and the Securities will be delivered at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at 1:00 p.m., New York City time, or such other time as ML and the Guarantor may agree in writing on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 2, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

3. Covenants and Agreements. The Guarantor and the Trust jointly and severally covenant and agree with each of the Underwriters:

(a) That the Guarantor will furnish without charge to the Underwriters a copy of the Registration Statement, including all documents incorporated by reference therein and exhibits filed with the Registration Statement (other than exhibits which are incorporated by reference and have previously been so

furnished), and, during the period mentioned in paragraph (c) below, as many copies of the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus, any documents incorporated by reference therein at or after the date thereof (including documents from which information has been so incorporated) and any supplements and amendments thereto as each Underwriter may reasonably request so long as such Underwriter is required to deliver a prospectus;

(b) That the Guarantor will cause the Final Supplemented Prospectus to be filed pursuant to, and in compliance with, Rule 424(b) and will promptly advise the Underwriters (i) when any amendment to the Registration Statement shall have been filed; provided, that, with respect to documents filed pursuant to the Exchange Act and incorporated by reference into the Registration Statement, such notice shall only be required during such time as the Underwriters are required in the reasonable opinion of Dewey Ballantine LLP, counsel for the Underwriters, to deliver a prospectus, (ii) of any request by the Commission for any amendment of the Registration Statement, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose, and (iv) of the receipt by the Guarantor or the Trust of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. So long as any Underwriter is required in the reasonable opinion of Dewey Ballantine LLP to deliver a prospectus, the Guarantor will not file any amendment to the Registration Statement or supplement to the Prospectus unless the Guarantor has furnished one copy of such amendment or supplement to ML and to Dewey Ballantine LLP, and, if such amendment or supplement is to be filed on or prior to the Time of Delivery, or under circumstances where the Underwriters are required in the reasonable opinion of Dewey Ballantine LLP, to deliver a Prospectus, the Underwriters or Dewey Ballantine LLP, shall not reasonably have objected thereto. If the Commission shall issue a stop order suspending the effectiveness of the Registration Statement, the Guarantor will take such steps to obtain the lifting of that order as in the best judgment of the Guarantor are not contrary to the interests of the Guarantor;

(c) That if, at any time when in the reasonable opinion of Dewey Ballantine LLP the Prospectus is required by law to be delivered by an Underwriter or a dealer, any event shall occur as a result of which it is necessary, in the reasonable opinion of Dewey Ballantine LLP or counsel for the Guarantor, to amend or supplement the Prospectus or modify the information incorporated by reference therein in order to make the statements therein, in light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading, or if it shall be necessary in the reasonable opinion of any such counsel, to amend or supplement the Prospectus or modify such information to comply with law, the Guarantor will forthwith (i) prepare and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Underwriters will furnish to the Guarantor) to whom Securities may have been

sold by the Underwriters and to any other dealers upon reasonable request, either amendments or supplements to the Prospectus or (ii) file with the Commission documents incorporated by reference in the Prospectus, which shall be so supplied to the Underwriters and such dealers, in either case so that the statements in the Prospectus as so amended, supplemented or modified will not, in light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law;

(d) That the Guarantor will endeavor to qualify, at its expense, the Securities, and, to the extent required or advisable, the Guarantee and the Subordinated Debentures, for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Underwriters shall reasonably request and to pay all filing fees, reasonable expenses and legal fees in connection therewith and in connection with the determination of the eligibility for investment of the Securities; provided, that the Guarantor shall not be required to qualify as a foreign corporation or a dealer in securities or to file any consents to service of process under the laws of any jurisdiction;

(e) That the Guarantor will make generally available to its security holders and the Securityholders as soon as practicable an earning statement of the Guarantor covering a twelve-month period beginning after the Time of Delivery which shall satisfy the provisions of Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including Rule 158 under the Act).

(f) That during the period beginning on the date of this Agreement and continuing to and including the Time of Delivery, the Guarantor and the Trust will not offer, sell, contract to sell or otherwise dispose of any Securities, any security convertible into or exchangeable into or exercisable for Securities or Subordinated Debentures or any debt securities substantially similar to the Subordinated Debentures or equity securities substantially similar to the Securities (except for the Subordinated Debentures and the Securities issued pursuant to this Agreement), without the prior written consent of ML.

(g) That the Guarantor and the Trust will use best efforts to effect the listing of the Securities on the New York Stock Exchange within thirty days of the date hereof; if the Securities are exchanged for Subordinated Debentures, the Guarantor will use its best efforts to effect the listing of the Subordinated Debentures on any exchange on which the Securities are then listed.

4. Expenses. The Guarantor and the Trust jointly and severally covenant and agree with the several Underwriters that the Guarantor and the Trust will pay or cause to be paid the following:

(i) all expenses in connection with the preparation, printing and filing of the Registration Statement as originally filed and of each amendment thereto;

(ii) the fees, disbursements and expenses of the Guarantor's or the Trust's counsel and accountants in connection with the issue of the Securities and all other expenses in connection with the preparation, printing and filing of the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus, the Final Supplemented Prospectus and any amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers;

(iii) all reasonable expenses in connection with the qualification of the Securities, the Guarantee and the Subordinated Debentures issuable upon exchange of the Securities, for offering and sale under state securities laws as provided in Section 3(d) hereof, including the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky and legal investment surveys;

(iv) any fees charged by securities rating services for rating the Securities and the Subordinated Debentures;

(v) the cost of preparing the Securities and the Subordinated Debentures;

(vi) the fees and expenses of the Trustees, the Guarantee Trustee and the Debenture Trustee and any agent of the Trustees, the Guarantee Trustee and the Debenture Trustee and the fees and disbursements of counsel for the Trustees in connection with the Declaration and the Securities, counsel for the Guarantee Trustee in connection with the Guarantee and counsel for the Debenture Trustee in connection with the Indenture and the Subordinated Debentures;

(vii) the fees and disbursements of Delaware counsel to the Trust; and

(viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section.

It is understood, however, that, except as provided in this Section, and Sections 6 and 9 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and any advertising expenses connected with any offers they may make.

5. Conditions of Underwriters' Obligations. The obligations of the Underwriter hereunder shall be subject to the accuracy, at and (except as otherwise stated herein) as of the date hereof and at and as of the Time of Delivery, of the representations and warranties made herein by the Guarantor and the Trust, to compliance at and as of the Time of Delivery by the Guarantor and the Trust with their covenants and agreements herein contained and the other provisions hereof to be satisfied at or prior to the Time of Delivery, and to the following additional conditions:

(a) (i) No stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose shall be pending before or threatened by the Commission, and the Underwriters shall have received on and as of the Time of Delivery, a certificate dated such date, signed by an executive officer (including, without limitation, the Treasurer) of the Guarantor to the foregoing effect, and (ii) there shall have been no material adverse change in or affecting the business, properties or financial condition of the Guarantor or the Trust from that set forth in or contemplated by the Registration Statement at the time it became effective, except as set forth in or contemplated by the Prospectus, and the Underwriters shall have received on and as of the Time of Delivery, a certificate dated such date, signed by an executive officer (including, without limitation, the Treasurer) of the Guarantor to the foregoing effect. The officers making such certificates may rely upon the best of his knowledge as to proceedings pending or threatened.

(b) Dewey Ballantine LLP, counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated the Time of Delivery, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters. In giving such opinion, such counsel may rely (i) as to matters of Texas law and the exemption of the Guarantor under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act") upon the opinions of Baker & Botts, L.L.P. referred to in (d) below and Hugh Rice Kelly or Rufus S. Scott referred to in (c) below and (ii) as to matters of Delaware law upon the opinion of Richards, Layton & Finger, P.A., referred to in (e) below.

(c) Hugh Rice Kelly, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Guarantor, or Rufus S. Scott, Esq., Vice President, Deputy General Counsel and Assistant Corporate Secretary of the Guarantor, shall have furnished to you his written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Guarantor has been duly incorporated and is validly existing in good standing under the laws of the State of Texas and has corporate power and authority to enter into and perform its obligations under this Agreement and the Guarantor Agreements;

(ii) No consent, approval, authorization or other order of, or registration with, any governmental regulatory body (other than such as may be required under applicable state securities laws, as to which such counsel need not express an opinion) is required for the issuance and sale of the Securities being delivered at the Time of Delivery or the issuance of the Guarantee and the Subordinated Debentures or the consummation by the Trust or the Guarantor of the transactions contemplated by this Agreement and the Guarantor Agreements;

(iii) To the best of such counsel's knowledge and other than as set forth or contemplated in the Prospectus, there are no legal or

governmental proceedings pending or threatened to which Guarantor is subject, which, individually or in the aggregate, are expected to have a material adverse effect on the financial position, shareholders' equity or results of operations of the Guarantor;

The issuance by the Guarantor of the Guarantee and the Subordinated Debentures and the execution, delivery and performance by the Guarantor of this Agreement and the Guarantor Agreements will not result in the breach or violation of, or constitute a default under, the Restated Articles of Incorporation or the Amended and Restated Bylaws of the Guarantor, each as amended to date, any indenture, mortgage, deed of trust or other agreement or instrument for borrowed money to which the Guarantor is a party or by which it is bound or to which its property is subject or any existing law, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Guarantor or its property, in any manner which would have a material adverse effect on the business of the Guarantor; and

(iv) The description of statutes and regulations set forth in Part I of the Guarantor's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 under the captions "Business-Regulation" and "-Environmental Matters", as updated in the Forms 10-Q for the quarters ended March 31, June 30 and September 30, 1998, fairly describe in all material respects the portions of the statutes and regulations addressed thereby.

(d) Baker & Botts, L.L.P., counsel for the Guarantor and the Trust, shall have furnished to you their written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) Such counsel does not know of any contracts or documents of a character required to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement which are not so described and filed;

(ii) The statements set forth in the Final Supplemented Prospectus under the captions "Description of the Preferred Securities", "Description of the Junior Subordinated Debentures ", and "Description of the Preferred Securities Guarantee" and in the Basic Prospectus under the captions "The Trusts", "Description of the Preferred Securities", "Description of the Junior Subordinated Debt Securities", and "Description of the Preferred Securities Guarantees" accurately summarize in all material respects the terms of the Securities, the Declaration, the Subordinated Debentures and the Guarantee;

(iii) The Securities, the Subordinated Debentures and the Guarantee conform as to legal matters in all material respects to the

descriptions thereof contained in the Final Supplemented Prospectus, including, without limitation, under the captions "Description of the Preferred Securities", "Description of the Junior Subordinated Debentures", and "Description of the Preferred Securities Guarantee" and in the Basic Prospectus under the captions "The Trusts", "Description of the Preferred Securities", "Description of the Junior Subordinated Debt Securities", and "Description of the Preferred Securities Guarantees", respectively;

(iv) The Subordinated Debentures are in the form prescribed in or pursuant to the Indenture, have been duly and validly authorized by all necessary corporate action on the part of the Guarantor and, when executed and delivered by the Guarantor and authenticated by the Debenture Trustee as specified in or pursuant to the Indenture, will be valid and binding obligations of the Guarantor, enforceable in accordance with their terms, except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(v) The Guarantee has been duly and validly authorized by all necessary corporate action on the part of the Guarantor; the Guarantee has been duly and validly executed and delivered by the Guarantor and (assuming due authorization, execution and delivery by the Guarantee Trustee) constitutes the valid and binding obligation of the Guarantor, enforceable in accordance with its terms, except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); the Declaration and the Indenture have each been duly authorized, executed and delivered by the Guarantor and, when executed and delivered by the other parties thereto, will constitute valid and binding obligations of the Guarantor, enforceable in accordance with their respective terms, except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in proceeding in equity or at law);

(vi) The Guarantee, the Declaration and the Indenture have been duly qualified under the TIA;

(vii) Pursuant to a Memorandum Opinion and Order Granting Exemption to Holding Company dated July 24, 1997 issued by the Commission (Release No. 35-26744), the Guarantor is exempt from

regulation as a public utility holding company under Section 3(a)(2) of the 1935 Act, except the provisions of Section 9(a)(2) thereof;

(viii) The Trust is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act;

(ix) The Registration Statement has become effective under the Act, and, to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted and are pending or are threatened by the Commission under the Act; the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of its date, (except for (A) the operating statistics, financial statements and financial statement schedules contained or incorporated by reference therein (including the auditors' reports on the financial statements and the notes to the financial statements), (B) the other financial and statistical information contained or incorporated by reference therein and (C) the exhibits thereto, as to which such counsel need not express an opinion) complied as to form in all material respects with the requirements of Form S-3 under the Act and the applicable rules and regulations of the Commission thereunder, and each document incorporated by reference therein as originally filed pursuant to the Exchange Act (except for (A) the operating statistics, financial statements and financial statement schedules contained or incorporated by reference therein (including the auditors' reports on the financial statements and the notes to the financial statements), (B) the other financial and statistical information contained or incorporated by reference therein and (C) the exhibits thereto, as to which such counsel need not express an opinion) when so filed complied as to form in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder; and

(x) The execution, delivery and performance by the Guarantor of this Agreement have been duly authorized by all necessary corporate action on the part of the Guarantor, and this Agreement has been duly executed and delivered by the Guarantor.

In addition, such counsel shall state that no facts have come to the attention of such counsel that lead them to believe that the Registration Statement (except for (A) the operating statistics, financial statements and financial statement schedules contained or incorporated by reference therein (including the auditors' reports on the financial statements and the notes to the financial statements, except to the extent that such notes describe legal or governmental proceedings to which the Company is a party and are incorporated by reference into one or more items of a report that is incorporated by reference in the Registration Statement or the Prospectus, other than an item that requires

that financial statements be provided), (B) the other financial and statistical information contained or incorporated by reference therein and (C) the exhibits thereto, as to which such counsel need not comment) as of the time such Registration Statement became effective, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as amended, supplemented or modified by the filing of a document incorporated by reference therein if so amended, supplemented or modified (except for (A) the operating statistics, financial statement and financial statement schedules contained or incorporated by reference therein (including the auditors' reports on the financial statements and the notes to the financial statements, except to the extent that such notes describe legal or governmental proceedings to which the Guarantor is a party and are incorporated by reference into one or more items of a report that is incorporated by reference in the Prospectus, other than an item that requires that financial statements be provided), (B) the other financial and statistical information contained or incorporated by reference therein and (C) the exhibits thereto, as to which such counsel need not comment), as of the date of the Final Supplemented Prospectus contained, or as of the Time of Delivery contains, any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Richards, Layton & Finger, special Delaware counsel for the Guarantor and the Trust, shall have furnished to you their written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made;

(ii) Under the Delaware Business Trust Act and the Declaration, the Trust has the trust power and authority to own property and conduct its business, all as described in the Prospectus;

(iii) The Declaration constitutes a valid and legally binding obligation of the Guarantor and the Trustees, and is enforceable against the Guarantor and the Trustees, in accordance with its terms, subject, as to enforcement, to the effect upon the Declaration of (i) bankruptcy, insolvency, fraudulent transfer and conveyance, reorganization, moratorium, receivership, liquidation and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution;

(iv) Under the Delaware Business Trust Act and the Declaration, the Trust has the trust power and authority to (a) execute and deliver, and to perform its obligations under this Agreement and (b) issue and perform its obligations under the Securities and the Common Securities;

(v) Under the Delaware Business Trust Act and the Declaration, the execution and delivery by the Trust of this Agreement, and the performance by the Trust of its obligations hereunder, have been duly authorized by all necessary trust action on the part of the Trust;

(vi) Under the Delaware Business Trust Act and the Declaration, this Agreement has been duly executed by the Trust;

(vii) The Securities have been duly authorized by the Declaration and are duly and validly issued and, subject to the qualifications set forth herein, fully paid and non-assessable undivided beneficial interests in the assets of the Trust and are entitled to the benefits provided by the Declaration (subject to the terms of the Declaration); provided that such counsel may note that the Securityholders may be obligated, pursuant to the Declaration, to (a) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Securities certificates and the issuance of replacement Securities certificates and (b) provide security and indemnity in connection with requests of or directions to the Property Trustee (as defined in the Declaration) to exercise its rights and remedies under the Declaration. The Securityholders, as beneficial owners of the Trust, are entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware;

(viii) The Common Securities of the Trust have been duly authorized by the Declaration and are validly issued, and fully paid undivided beneficial interests in the assets of the Trust;

(ix) Under the Delaware Business Trust Act and the Declaration, the issuance of the Securities and the Common Securities is not subject to preemptive rights;

(x) The issuance and sale by the Trust of the Securities and the Common Securities, the execution, delivery and performance by the Trust of this Agreement, the consummation by the Trust of the transactions contemplated by this Agreement and the Declaration and compliance by the Trust with its obligations thereunder do not violate (a) any of the provisions of the Certificate of Trust of the Trust or the Declaration, or (b) any applicable Delaware law or administrative regulation;

(xi) Such counsel has reviewed the statements in the Final Supplemented Prospectus under the caption "REI Trust I" and, insofar as they contain statements of Delaware law, such statements are fairly presented;

(xii) No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely in connection with the issuance and sale of the Securities and the Common Securities. (In rendering the opinion expressed in this paragraph (xii), such counsel need express no opinion concerning the securities laws of the State of Delaware.); and

(xiii) The Securityholders (other than those holders of the Securities who reside or are domiciled in the State of Delaware) will have no liability for income taxes imposed by the State of Delaware solely as a result of their participation in the Trust, and the Trust will not be liable for any income tax imposed by the State of Delaware.

(f) Baker & Botts, L.L.P., special tax counsel for the Guarantor and the Trust, shall have furnished to you their written opinion, dated the Time of Delivery, in form and substance satisfactory to you, to the effect that such firm confirms its opinion set forth in the Final Supplemented Prospectus under the caption "Certain Federal Tax Consequences".

(g) At the Time of Delivery, Emmet, Marvin & Martin, LLP, as counsel to the Debenture Trustee, Property Trustee and Guarantee Trustee, shall have furnished to you an opinion, dated the Time of Delivery, addressed to you in form and substance satisfactory to you.

(h) At the Time of Delivery, Richards, Layton & Finger, P.A., as counsel to the Delaware Trustee, shall have furnished to you an opinion, dated the Time of Delivery, addressed to you in form and substance satisfactory to you.

(i) At the time of execution of this Agreement, Deloitte & Touche LLP shall have furnished to you a letter dated the date of such execution, substantially in the form heretofore supplied and deemed satisfactory to you.

(j) At the Time of Delivery, Deloitte & Touche LLP shall have furnished you a letter, dated the Time of Delivery, to the effect that such accountants reaffirm, as of the Time of Delivery and as though made on the Time of Delivery, the statements made in the letter furnished by such accountants pursuant to paragraph (i) of this Section 5, except that the specified date referred to in such letter will be a date not more than five business days prior to the Time of Delivery.

(k) A Special Event (as defined in the Final Supplemented Prospectus) shall not have occurred and be continuing.

(1) The Guarantor and the Trust shall have furnished or caused to be furnished to you at the Time of Delivery certificates of officers of the Guarantor and of trustees of the Trust satisfactory to you as to the accuracy of the representations and warranties of the Guarantor and the Trust herein at and as of the Time of Delivery, as to the performance by the Guarantor and the Trust of all of their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in the introductory paragraph to this Section 5 and subsection (a) of this Section and as to such other matters as you may reasonably request.

6. Indemnification and Contribution.

(a) The Guarantor and the Trust, jointly and severally, agree to indemnify and hold harmless each Underwriter, and each person, if any, who controls each Underwriter within the meaning of the Act or the Exchange Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any claims therefore and counsel fees incurred in connection therewith), joint or several, which may be based upon either the Act, or the Exchange Act, or any other statute or at common law, on the ground or alleged ground that any Preliminary Supplemented Prospectus, Final Supplemented Prospectus, Preliminary Prospectus, the Registration Statement, the Basic Prospectus or the Prospectus (or any such document, as from time to time amended, or deemed to be amended, supplemented or modified) includes or allegedly includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Guarantor or the Trust by any Underwriter through ML specifically for use in the preparation thereof; provided that in no case is the Guarantor or the Trust to be liable with respect to any claims made against any Underwriter or any such controlling person unless such Underwriter or such controlling person shall have notified the Guarantor in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon such Underwriter or such controlling person, but failure to notify the Guarantor or Trust of any such claim shall not relieve it from any liability which it may have to such Underwriter or such controlling person otherwise than on account of the indemnity agreement contained in this paragraph; and provided, further, that the foregoing indemnity with respect to the Preliminary Prospectus, the Basic Prospectus, the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus shall not inure to the benefit of any Underwriter if a copy of the Preliminary Prospectus, the Basic Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus as amended or supplemented, had not been sent or given by or on behalf of such Underwriter to the person asserting any such losses, claims, damages or liabilities concurrently with or prior to delivery of the written confirmation of the sale of Securities to such person and the untrue statement or omission of a material fact contained in any such Preliminary Prospectus, Basic Prospectus, Prospectus, Preliminary Supplemented Prospectus, or Final Supplemented Prospectus was corrected in the Preliminary Prospectus, the Basic Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, as amended or supplemented.

The Guarantor and the Trust will be entitled to participate at their own expense in the defense, or, if they so elect, to assume the defense of any suit brought to enforce any such liability, but, if the Guarantor or the Trust elects to assume the defense, such defense shall be conducted by counsel chosen by it. In the event that the Guarantor or the Trust elects to assume the defense of any such suit and retains such counsel, the Underwriter or Underwriters or controlling person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) the Guarantor or the Trust shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Underwriter or Underwriters or controlling person or persons and the Underwriter or Underwriters or controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Guarantor or the Trust, in which case the Guarantor or the Trust shall not be entitled to assume the defense of such suit on behalf of such Underwriter or Underwriters or controlling person or persons, notwithstanding their obligation to bear the reasonable fees and expenses of such counsel, it being understood, however, that the Guarantor and the Trust shall not, in connection with any one such suit or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for all such Underwriters and their controlling persons, which firm shall be designated in writing by ML. The Guarantor and the Trust shall not be liable to indemnify any person for any settlement of any such claim effected without the Guarantor's or the Trust's consent. This indemnity agreement will be in addition to any liability which the Guarantor and the Trust might otherwise have.

(b) Each Underwriter agrees to indemnify and hold harmless the Guarantor and the Trust, each of the Guarantor's directors, each of the Guarantor's officers who have signed the Registration Statement, each of the Trustees who have signed the Registration Statement and each person, if any, who controls the Guarantor and the Trust within the meaning of the Act or the Exchange Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred in connection therewith), joint or several, which may be based upon the Act, or the Exchange Act, or any other statute or at common law, on the ground or alleged ground that any Preliminary Supplemented Prospectus, Final Supplemented Prospectus, the Registration Statement, the Preliminary Prospectus, the Basic Prospectus or the Prospectus (or any such document, as from time to time amended, or deemed to be amended, supplemented or modified) includes or allegedly includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Guarantor or the Trust by such Underwriter through ML specifically for use in the preparation thereof, it being understood and agreed that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the sixth paragraph, the last three sentences of the eighth paragraph and the eleventh, twelfth, thirteenth and fourteenth paragraphs under the caption "Underwriting"; provided that in no case is such Underwriter to be liable with

respect to any claims made against the Guarantor or the Trust or any such director, officer, trustee or controlling person unless the Guarantor or the Trust or any such director, officer, trustee or controlling person shall have notified such Underwriter in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Guarantor or the Trust or any such director, officer, trustee or controlling person, but failure to notify such Underwriter of any such claim shall not relieve it from any liability which it may have to the Guarantor or the Trust or any such director, officer, trustee or controlling person otherwise than on account of the indemnity agreement contained in this paragraph. Such Underwriter will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if such Underwriter elects to assume the defense, such defense shall be conducted by counsel chosen by it. In the event that such Underwriter elects to assume the defense of any such suit and retain such counsel, the Guarantor or the Trust or any such director, officer, trustee or controlling person, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) such Underwriter shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Guarantor or the Trust or any such director, officer, trustee or controlling person and such Underwriter and the Guarantor or the Trust or such director, officer, trustee or controlling person have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to such Underwriter, in which case such Underwriter shall not be entitled to assume the defense of such suit on behalf of the Guarantor or the Trust or any such director, officer, trustee or controlling person, notwithstanding its obligation to bear the reasonable fees and expenses of such counsel, it being understood, however, that such Underwriter shall not, in connection with any one such suit or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for all of the Guarantor or the Trust and any such director, officer, trustee or controlling person, which firm shall be designated in writing by the Guarantor. Such Underwriter shall not be liable to indemnify any person for any settlement of any such claim effected without such Underwriter's consent. This indemnity agreement will be in addition to any liability which such Underwriter might otherwise have.

(c) If recovery is not available under Section 6(a) or 6(b) hereof, for any reason other than as specified therein, the parties entitled to indemnification by the terms thereof shall be entitled to contribution for liabilities and expenses, except to the extent that contribution is not permitted under Section 11(f) of the Act. In determining the amount of contribution to which the respective parties are entitled, there shall be considered the relative benefits received by each party from the offering of the Securities (taking into account the portion of the proceeds of the offering realized by each), the parties' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances. The Guarantor and the Trust and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation

(even if the Underwriters were treated as one entity for such purpose). No Underwriters or any person controlling such Underwriters shall be obligated to make contribution hereunder which in the aggregate exceeds the total public offering price of the Securities purchased by such Underwriters under this Agreement, less the aggregate amount of any damages which such Underwriters and its controlling persons have otherwise been required to pay in respect of the same claim or any substantially similar claim. The Underwriters' obligations to contribute are several in proportion to their respective underwriting obligations, and not joint.

7. Substitution of Underwriters. If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder and the aggregate liquidation amount of such Securities which such defaulting Underwriter agreed but failed to purchase does not exceed 10% of the aggregate liquidation amount of all the Securities, the non-defaulting Underwriters may make arrangements satisfactory to the Guarantor and Trust for the purchase of the aggregate liquidation amount of such Securities by other persons, including the non-defaulting Underwriters, but if no such arrangements are made prior to the Time of Delivery, the non-defaulting Underwriters shall be obligated severally in proportion to their respective commitments hereunder, to purchase the Securities which such defaulting Underwriter agreed but failed to purchase. If any Underwriter or Underwriters shall so default and the aggregate liquidation amount of such Securities with respect to which such default or defaults occur is more than 10% of the aggregate liquidation amount of all the Securities and arrangements satisfactory to the non-defaulting Underwriters and the Guarantor and the Trust for the purchase of such Securities by other persons are not made within 48 hours after such default, this agreement will terminate.

If the non-defaulting Underwriter or substituted underwriter or underwriters are required hereby or agree to take up all or part of the Securities of the defaulting Underwriter as provided in this Section 7, (i) the Guarantor and the Trust shall have the right to postpone the Time of Delivery for a period of not more than five full business days, in order that the Guarantor and the Trust may effect whatever changes may thereby be made necessary in the Registration Statement or Prospectus or in any other documents or arrangements, and the Guarantor and the Trust agree to promptly file any amendments to the Registration Statement or supplements to the Prospectus which may thereby be made necessary, and (ii) the respective aggregate liquidation amount of Securities which the non-defaulting Underwriters or substituted purchaser or purchasers shall thereafter be obligated to purchase shall be taken as the basis of their underwriting obligation for all purposes of this Agreement. Nothing herein contained shall relieve any defaulting Underwriter of its liability to the Guarantor and the Trust or the non-defaulting Underwriters for damages occasioned by its default hereunder. Any termination of this Agreement pursuant to this Section 7 shall be without liability on the part of the non-defaulting Underwriters or the Guarantor or the Trust, other than as provided in Sections 6 and 9.

8. Survival of Indemnities, Representations, Warranties, etc. The respective indemnities, agreements, representations, warranties and other statements of the Guarantor and the Trust and the several Underwriters, as set forth in this Agreement or

made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Guarantor or the Trust, or any officer or director or controlling person of the Guarantor or the Trust, and shall survive delivery of and payment for the Securities.

9. Termination. If this Agreement shall be terminated by the Underwriters, because of any failure or refusal on the part of the Guarantor or the Trust to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Guarantor or the Trust shall be unable to perform its obligations under this Agreement, the respective indemnities shall remain in full force and effect and the Guarantor or the Trust will reimburse the Underwriter or such Underwriters as have so terminated this Agreement with respect to themselves for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by them in connection with the transactions contemplated by this Agreement.

10. Notices. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you.

All statements, requests, notices and agreements hereunder shall be in writing, and (i) if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you in care of Merrill Lynch, Pierce, Fenner & Smith Incorporated, World Financial Center, North Tower, New York, New York 10281-1327, Attention: Robert D. Craig and (ii) if to the Guarantor or the Trust shall be delivered or sent by mail, telex or facsimile transmission to the Guarantor in care of Reliant Energy, Incorporated, 1111 Louisiana, Houston, Texas 77002, Attention, Assistant Treasurer.

11. Successors. This Agreement shall inure to the benefit of and be binding upon the several Underwriters, the Guarantor and the Trust and their respective successors and the directors, trustees, officers and controlling persons referred to in Section 6 of this Agreement. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person other than the persons mentioned in the preceding sentence any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained; this Agreement and all conditions and provisions hereof being intended to be, and being, for the sole and exclusive benefit of such persons and for the benefit of no other person; except that the representations, warranties, covenants, agreements and indemnities of the Guarantor and the Trust contained in this Agreement shall also be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of the Act or the Exchange Act, and the representations, warranties, covenants, agreements and indemnities of the several Underwriters shall also be for the benefit of each Trustee, each director of the Guarantor, each person who has signed the Registration Statement and the person or persons, if any, who control the Guarantor and the Trust within the meaning of the Act.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

13. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us seven counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Guarantor and the Trust. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Guarantor and the Trust for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

REI Trust I

By: Houston Industries Incorporated, dba Reliant  
Energy, Incorporated, as Sponsor

By: /s/ Marc Kilbride

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Name: Marc Kilbride  
Title: Treasurer

Houston Industries, Incorporated dba Reliant  
Energy, Incorporated

By: /s/ Marc Kilbride

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Name: Marc Kilbride  
Title: Treasurer

Accepted as of the date hereof:

Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
A.G. Edwards & Sons, Inc.  
Goldman, Sachs & Co.  
NationsBanc Montgomery Securities LLC  
PaineWebber Incorporated  
Prudential Securities Incorporated  
Salomon Smith Barney Inc.

By: Merrill Lynch, Pierce, Fenner  
& Smith Incorporated

By: /s/ Robert Craig

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Name: Robert Craig  
Title: Director

On behalf of each of the Underwriters

## SCHEDULE I

Underwriters -----	Liquidation Amount of Securities to be Purchased -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$ 34,500,000
A.G. Edwards & Sons, Inc.	\$ 34,250,000
Goldman, Sachs & Co.	\$ 34,250,000
NationsBanc Montgomery Securities LLC	\$ 34,250,000
PaineWebber Incorporated	\$ 34,250,000
Prudential Securities Incorporated	\$ 34,250,000
Salomon Smith Barney Inc.	\$ 34,250,000
ABN AMRO Incorporated	\$ 3,750,000
BNY Capital Markets, Inc.	\$ 3,750,000
BT Alex. Brown Incorporated	\$ 3,750,000
Robert W. Baird & Co. Incorporated	\$ 3,750,000
Bear, Stearns & Co. Inc.	\$ 3,750,000
CIBC Oppenheimer Corp.	\$ 3,750,000
Chase Securities Inc.	\$ 3,750,000
Credit Suisse First Boston Corporation	\$ 3,750,000
Dain Rauscher Incorporated	\$ 3,750,000
EVEREN Securities, Inc.	\$ 3,750,000
Fleet Securities, Inc.	\$ 3,750,000
Legg Mason Wood Walker, Incorporated	\$ 3,750,000
J.P. Morgan Securities Inc.	\$ 3,750,000
Olde & Co., Incorporated	\$ 3,750,000
Piper Jaffray Inc.	\$ 3,750,000
Raymond James & Associates, Inc.	\$ 3,750,000
SG Cowen Securities Corporation	\$ 3,750,000
Tucker Anthony Incorporated	\$ 3,750,000
Warburg Dillon Read LLC	\$ 3,750,000
Wheat First Union, a Division of First Union Capital Markets Corp.	\$ 3,750,000
Advest, Inc.	\$ 1,875,000
M.R. Beal & Company	\$ 1,875,000
J.C. Bradford & Co.	\$ 1,875,000
Crowell, Weedon & Co.	\$ 1,875,000
Fahnestock & Co. Inc.	\$ 1,875,000
Fidelity Capital Markets, A Division of National Financial Services Co.	\$ 1,875,000
Fifth Third/The Ohio Company	\$ 1,875,000
First Albany Corporation	\$ 1,875,000

Underwriters -----	Liquidation Amount of Securities to be Purchased -----
Gibraltar Securities Co.	\$ 1,875,000
Gruntal & Co., L.L.C.	\$ 1,875,000
J.J.B. Hilliard, W.L. Lyons, Inc.	\$ 1,875,000
Howe Barnes Investments, Inc.	\$ 1,875,000
Wayne Hummer Investments LLC	\$ 1,875,000
Janney Montgomery Scott Inc.	\$ 1,875,000
Kirkpatrick, Pettis, Smith, Polian Inc.	\$ 1,875,000
McDonald Investments Inc.	\$ 1,875,000
McGinn, Smith & Co., Inc.	\$ 1,875,000
Mesirow Financial, Inc.	\$ 1,875,000
Morgan Keegan & Company, Inc.	\$ 1,875,000
Parker/Hunter Incorporated	\$ 1,875,000
Samuel A. Ramirez & Co., Inc.	\$ 1,875,000
The Robinson-Humphrey Company, LLC	\$ 1,875,000
Roney Capital Markets, A Division of First Chicago Capital Markets, Inc.	\$ 1,875,000
Scott & Stringfellow, Inc.	\$ 1,875,000
Muriel Siebert & Co., Inc.	\$ 1,875,000
Stephens Inc.	\$ 1,875,000
Stifel, Nicolaus & Company, Incorporated	\$ 1,875,000
Stone & Youngberg	\$ 1,875,000
TD Securities (USA) Inc.	\$ 1,875,000
Trilon International Inc.	\$ 1,875,000
Utendahl Capital Partners, L.P.	\$ 1,875,000
Williams Capital Group, L.P.	\$ 1,875,000
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Total	\$375,000,000 =====

SCHEDULE II

Initial public offering price per Preferred Security (and purchase price per Security to be paid by the several Underwriters): \$25

Compensation per Preferred Security to be paid by the Guarantor to the several Underwriters in respect of their commitments: \$ .50 per Security for sales of 10,000 or more Securities to a single purchaser; otherwise, \$.7875 per Security.

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RELIANT ENERGY, INCORPORATED

AND

THE BANK OF NEW YORK

AS TRUSTEE

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JUNIOR SUBORDINATED INDENTURE

DATED AS OF FEBRUARY 15, 1999

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JUNIOR SUBORDINATED DEBENTURES

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THIS JUNIOR SUBORDINATED INDENTURE, is dated as of the fifteenth day of February, 1999, between Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a corporation duly organized and existing under the laws of the State of Texas (hereinafter sometimes referred to as the "Company"), and The Bank of New York, a New York banking corporation, as Trustee (hereinafter sometimes referred to as the "Trustee"):

WHEREAS, for its lawful corporate purposes, the Company has fully authorized the execution and delivery of this Indenture to provide for the issuance of unsecured junior subordinated debentures (hereinafter referred to as the "Debentures"), in an unlimited aggregate principal amount to be issued from time to time in one or more series in accordance with the terms of this Indenture, as registered Debentures without coupons, to be authenticated by the certificate of the Trustee;

WHEREAS, to provide the terms and conditions upon which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture;

WHEREAS, the Debentures and the certificate of authentication to be borne by the Debentures (the "Certificate of Authentication") are to be substantially in such forms as may be approved by the Board of Directors (as defined below) or set forth in any indenture supplemental to this Indenture;

AND WHEREAS, all acts and things necessary to make the Debentures issued pursuant hereto, when executed by the Company and authenticated and delivered by the Trustee in accordance with the terms of this Indenture, the valid, binding and legal obligations of the Company, and to constitute a valid indenture and agreement according to its terms, have been done and performed or will be done and performed prior to the issuance of such Debentures, and the execution of this Indenture has been and the issuance hereunder of the Debentures has been or will be prior to issuance in all respects duly authorized, and the Company, in the exercise of the legal right and power in it vested, executes this Indenture and proposes to make, execute, issue and deliver the Debentures;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Debentures are and are to be authenticated, issued and delivered, and in consideration of the premises and of the acquisition and acceptance of the Debentures by the holders thereof, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit (subject to the provisions of this Indenture) of the respective holders from time to time of the Debentures, without any discrimination, preference or priority of any one Debenture over any other by reason of priority in the time of issue, sale or negotiation thereof, or otherwise, except as provided herein, as follows:

ARTICLE I  
DEFINITIONS

Section 1.01. Definitions. The terms defined in this Section (except as in this Indenture otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture, any resolution of the Board of Directors of the Company and of any indenture supplemental hereof shall have the respective meanings specified in this Section. All other terms used in this Indenture which are defined in the Trust Indenture Act of 1939, as amended, or which are by reference in such Act defined in the Securities Act of 1933, as amended (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this instrument.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; provided, however, no Trust to which Debentures have been issued shall be deemed to be an Affiliate of the Company. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means an authenticating agent with respect to all or any of the series of Debentures, as the case may be, appointed with respect to all or any series of the Debentures, as the case may be, by the Trustee pursuant to Section 2.10.

"Board of Directors" means the Board of Directors of the Company, or any committee of such Board duly authorized to act hereunder.

"Board Resolution" means a copy of one or more resolutions, certified by the secretary or an assistant secretary of the Company to have been adopted or consented to by the Board of Directors and to be in full force and effect, and delivered to the Trustee.

"Business Day", with respect to any series of Debentures, means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the Borough of Manhattan, The City and State of New York or Houston, Texas, are authorized or obligated by law or executive order to close.

"Certificate" means a certificate signed by the principal executive officer, the principal financial officer, the principal accounting officer of the Company. The Certificate need not comply with the provisions of Section 13.06.

"Common Securities" means the common undivided beneficial interests in the assets of the applicable Trust.

"Company" means Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a corporation duly organized and existing under the laws of the State of Texas, and, subject to the provisions of Article 10, shall also include its successor and assigns.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the execution of this Indenture is located at 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration.

"Debenture" or "Debentures" means any Debenture or Debentures, as the case may be, authenticated and delivered under this Indenture.

"Debenture Register" has the meaning assigned in Section 2.05(b).

"Debenture Registrar" has the meaning assigned in Section 2.05(b).

"Debentureholder", "holder of Debentures", "registered holder", or other similar term, means the person or persons in whose name or names a particular Debenture shall be registered in the Debenture Register.

"Debt" means, with respect to any Person at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) all obligations of such Person in respect of letters of credit or bankers' acceptances or other similar instruments (or reimbursement obligations thereto) issued on the account of such person, (iv) all obligations of such person to pay the deferred purchase price of property or services, except Trade Payables, (v) all obligations of such Person as lessee under capitalized leases, (vi) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; provided that, for purposes of determining the amount of any Debt of the type described in this clause (vi), if recourse with respect to such Debt is limited to such asset, the amount of such Debt shall be limited to the lesser of the fair market value of such asset or the amount of such Debt, (vii) all Debt of others Guaranteed by such Person to the extent such Debt is Guaranteed by such Person, and (viii) to the extent not otherwise included in this definition, all obligations of such Person for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity prices, forward contracts, options, swaps, collars and similar arrangements.

"Declaration of Trust" means the Amended and Restated Declaration of Trust of a Trust, if any, specified in the applicable Board Resolution or supplemental indenture establishing a particular series of Debentures pursuant to Section 2.01 hereof.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default hereunder.

"Depository" means with respect to Debentures of any series, for which the Company shall determine that such Debentures will be issued as one or more Global Debentures, The Depository Trust Company, New York, New York, another clearing agency, or any successor registered as a clearing agency under the Exchange Act or other applicable statute or regulation, which, in each case, shall be designated by the Company pursuant to either Section 2.01 or 2.11.

"Event of Default", with respect to Debentures of a particular series means any event specified in Section 6.01(a), continued for the period of time, if any, and the giving of the notice, if any, therein designated.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Global Debenture" means, with respect to any series of Debentures, a Debenture in the form prescribed in Section 2.11 executed by the Company and delivered by the Trustee to the Depository or pursuant to the Depository's instruction, all in accordance with the Indenture, which shall be registered in the name of the Depository or its nominee.

"Governmental Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such Governmental Obligation or a specific payment of principal of or interest on any such Governmental Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Governmental Obligation or the specific payment of principal of or interest on the Governmental Obligation evidenced by such depository receipt.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Indenture" means this instrument as originally executed, or, if amended or supplemented as herein provided, as so amended or supplemented.

"Interest Payment Date" when used with respect to any installment of interest on a Debenture of a particular series means the date specified in such Debenture or in a Board Resolution or in an indenture supplemental hereto with respect to such series as the fixed date on which an installment of interest with respect to Debentures of that series is due and payable.

"Lien" means, with respect to any property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property. For purposes of this Indenture, the Company shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property.

"Officers' Certificate" means a certificate signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Comptroller or an Assistant Comptroller or the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Each such certificate shall include the statements provided for in Section 13.06, if and to the extent required by the provisions thereof.

"Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be counsel for the Company, a Trust or the Trustee, which may be an employee of the Company but not an employee of a Trust or the Trustee, and who shall be reasonably acceptable to the Trustee. Each such opinion shall include the statements provided for in Section 13.06, if and to the extent required by the provisions thereof.

"Outstanding", when used with reference to Debentures of any series, subject to the provisions of Section 8.01, means, as of any particular time, all Debentures of that series theretofore authenticated and delivered by the Trustee under this Indenture, except (a) Debentures theretofore cancelled by the Trustee or any paying agent, or delivered to the Trustee or any paying agent for cancellation or which have previously been cancelled; (b) Debentures or portions thereof for the payment or redemption of which moneys or Governmental Obligations in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust for the holders of such Debentures by the Company (if the Company shall act as its own paying agent); provided, however, that if such Debentures or portions of such Debentures are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article 3 provided, or provision satisfactory to the Trustee shall have been made for giving such notice; (c) Debentures paid pursuant to Section 2.07; and (d) Debentures in lieu of or in substitution for which other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.07; provided, however, that in determining whether the holders of the requisite principal amount of Outstanding Debentures are present at a meeting of holders of Debentures for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification hereunder,

Debentures held for the account of the Company, any of its Subsidiaries or any of its Affiliates shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in making such a determination or relying upon any such quorum, consent or vote, only Debentures which the Trustee actually knows to be so owned shall be so disregarded.

"Person" means any individual, corporation, estate, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Debentures of any series, means the place or places where the principal of and any premium and interest on the Debentures of that series are payable as specified as contemplated by Section 2.01.

"Predecessor Debenture" of any particular Debenture means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture; and, for the purposes of this definition, any Debenture authenticated and delivered under Section 2.07 in lieu of a lost, destroyed or stolen Debenture shall be deemed to evidence the same debt as the lost, destroyed or stolen Debenture.

"Preferred Securities" means the preferred undivided beneficial interests in the assets of the applicable Trust.

"Property Trustee" means the entity performing the function of the Property Trustee under the applicable Declaration of Trust of a Trust.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Exchange" when used with respect to the Debentures of any series which are held as trust assets of a Trust pursuant to the Declaration of Trust of such Trust, means the distribution of the Debentures of such series by such Trust in exchange for the Preferred Securities and Common Securities of such Trust in dissolution of such Trust pursuant to the Declaration of Trust of such Trust.

"Senior Debt" means the principal of (and premium, if any) and interest on all Debt of the Company whether created, incurred or assumed before, on or after the date of this Indenture;

provided that such Senior Debt shall not include (i) Debt of the Company that, when incurred and without respect to any election under Section 1111(b) of Title 11, U.S. Code, was without recourse, and (ii) any other Debt of the Company which by the terms of the instrument creating or evidencing the same is specifically designated as being subordinated to or pari passu with the Debentures, and in particular the Debentures shall rank pari passu with all other debt securities and guarantees issued to any trust, partnership or other entity affiliated with the Company which is a financing vehicle of the Company in connection with an issuance of securities by such financing entity, which securities are substantially similar to the Preferred Securities.

"Subsidiary" means any corporation at least a majority of whose outstanding voting stock shall at the time be owned, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries. For the purposes only of this definition of the term "Subsidiary", the term "voting stock", as applied to the stock of any corporation shall mean stock of any class or classes having ordinary voting power for the election of a majority of the directors of such corporation, other than stock having such power only by reason of the occurrence of a contingency.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Trust" means any statutory business trust created under the laws of the State of Delaware by the Company, as sponsor, as specified in the applicable Board Resolution or supplemental indenture establishing a particular series of Debentures pursuant to Section 2.01 hereof.

"Trustee" means The Bank of New York, a New York banking corporation, and, subject to the provisions of Article 7, shall also include its successors and assigns, and, if at any time there is more than one person acting in such capacity hereunder, "Trustee" shall mean each such person. The term "Trustee" as used with respect to a particular series of the Debentures shall mean the trustee with respect to that series.

"Trust Indenture Act", subject to the provisions of Section 9.01 and 9.02, means the Trust Indenture Act of 1939, as amended and in effect at the date of execution of this Indenture.

## ARTICLE 2

### ISSUE DESCRIPTION, TERMS, EXECUTION REGISTRATION AND EXCHANGE OF DEBENTURES

Section 2.01. Designation, Terms, Amount, Authentication and Delivery of Debentures. The aggregate principal amount of Debentures which may be authenticated and delivered under this Indenture is unlimited.

The Debentures may be issued in one or more series up to the aggregate principal amount of Debentures of that series from time to time authorized by or pursuant to a Board Resolution or pursuant to one or more indentures supplemental hereto, prior to the initial issuance of Debentures of a particular series. Prior to the initial issuance of Debentures of any series, there shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto:

(1) the title of the Debentures of the series (which shall distinguish the Debentures of the series from all other Debentures);

(2) any limit upon the aggregate principal amount of the Debentures of that series which may be authenticated and delivered under this Indenture (except for Debentures authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Debentures of that series);

(3) the date or dates on which the principal of the Debentures of the series is payable and the right to shorten, extend or defer such date or dates;

(4) the rate or rates at which the Debentures of the series shall bear interest or the manner of calculation of such rate or rates, if any;

(5) the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest will be payable or the manner of determination of such Interest Payment Dates and the record date for the determination of holders to whom interest is payable on any such Interest Payment Dates;

(6) the right, if any, to extend or defer the interest payment periods and the duration of such extension;

(7) the period or periods within which, the price or prices at which, and the terms and conditions upon which, Debentures of the series may be redeemed, in whole or in part, at the option of the Company;

(8) the obligation, if any, of the Company to redeem or purchase Debentures of the series pursuant to any sinking fund or analogous provisions (including payments made in cash in anticipation of future sinking fund obligations) or at the option of a holder thereof and the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which and the terms and conditions upon which, Debentures of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) any exchangeability, conversion or prepayment provisions of the Debentures;

(10) the form of the Debentures of the series including the form of the Certificate of Authentication for such series;

(11) if other than denominations of \$25 or any integral multiple thereof, the denominations in which the Debentures of the series shall be issuable;

(12) whether the Debentures are issuable as one or more Global Debentures and, in such case, the identity of the Depositary for such series, the form of any legend or legends which shall be borne by any such Global Debentures in addition to or in lieu of that set forth in Section 2.11 and any circumstances in addition to or in lieu of those set forth in Section 2.11 in which any such Global Debentures may be exchanged in whole or in part for Debentures registered, and any transfer of such Global Debentures in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Debentures or a nominee thereof;

(13) if the Debentures of such series are to be deposited as trust assets in a Trust the name of the applicable Trust (which shall distinguish such statutory business trust from all other Trusts) into which the Debentures of such series are to be deposited as trust assets and the date of its Declaration of Trust;

(14) the place or places where the principal of (and premium, if any) and interest on the Debentures of such series shall be payable, the place or places where the Debentures of such series may be presented for registration of transfer or exchange, and the place or places where notices and demands to or upon the Company in respect of the Debentures of such series may be made;

(15) if other than U.S. dollars, the currency or currencies (including currency unit or units) in which the principal of (and premium, if any) and interest, if any, on the Debentures of the series shall be payable, or in which the Debentures of the series shall be denominated;

(16) the additions, modifications or deletions, if any, in the Events of Default or covenants of the Company set forth herein with respect to the Debentures of such series;

(17) if other than the principal amount thereof, the portion of the principal amount of Securities of such series that shall be payable upon declaration of acceleration of the maturity thereof;

(18) the additions or changes, if any, to this Indenture with respect to the Debentures of such series as shall be necessary to permit or facilitate the issuance of the Debentures of such series in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

(19) any index or indices used to determine the amount of payments of principal of and premium, if any, on the Debentures of such series or the manner in which such amounts will be determined;

(20) the appointment of any paying agent or agents for the Debentures of such series;

(21) the relative degree, if any, to which the Debentures of such series shall be senior to or be subordinated to other series of Debentures in right of payment, whether such other series of Debentures are Outstanding or not; and

(22) any and all other terms with respect to the Debentures of such series (and any terms which may be required by or advisable under applicable laws or regulations not inconsistent with the terms of this Indenture).

All Debentures of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to any such Board Resolution or in any indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

Section 2.02. Form of Debenture and Trustee's Certificate. The Debentures of any series and the Trustee's certificate of authentication to be borne by such Debentures shall be substantially of the tenor and purport as set forth in one or more indentures supplemental hereto or as provided in a Board Resolution and as set forth in an Officers' Certificate, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements typewritten, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or automated quotation system on which Debentures of that series may be listed or traded, or to conform to usage.

Section 2.03. Date and Denominations of Debentures and Provisions for Payment of Principal, Premium and Interest. The Debentures shall be issuable as registered Debentures and in the denominations of \$25 or any integral multiple thereof, subject to Section 2.01(11). The Debentures of a particular series shall bear interest payable on the dates and at the rate specified with respect to that series. The principal of and the interest on the Debentures of any series, as well as any premium thereon in case of redemption thereof prior to maturity, shall, subject to Section 2.01(8) and (15), be payable in the coin or currency of the United States of America which at the time is legal tender for public and private debt, at the Place of Payment. Each Debenture shall be dated the

date of its authentication. Interest on the Debentures shall be computed on the basis of a 360-day year composed of twelve 30-day months, subject to Section 2.01(5).

The interest installment on any Debenture which is payable, and is punctually paid or duly provided for, on any Interest Payment Date for Debentures of that series shall be paid to the person in whose name said Debenture (or one or more Predecessor Debentures) is registered at the close of business on the regular record date for such interest installment. In the event that any Debenture of a particular series or portion thereof is called for redemption and the redemption date is subsequent to a regular record date with respect to any Interest Payment Date and prior to such Interest Payment Date, interest on such Debenture will be paid upon presentation and surrender of such Debenture as provided in Section 3.03.

Any interest on any Debenture which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date for Debentures of the same series (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered holder on the relevant regular record date by virtue of having been such holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in clause (1) or clause (2) below:

(1) The Company may make payment of any Defaulted Interest on Debentures to the persons in whose names such Debentures (or their respective Predecessor Debentures) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Debenture and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall not be more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Debentureholder at his or her address as it appears in the Debenture Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names such Debentures (or their Predecessor Debentures) are registered on such special record date and shall be no longer payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on any Debentures in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which such Debentures may be listed or traded, and upon such notice as may be required by such exchange or quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Unless otherwise set forth in a Board Resolution or one or more indentures supplemental hereto establishing the terms of any series of Debentures pursuant to Section 2.01 hereof, the term "regular record date" as used in this Section with respect to a series of Debentures with respect to any Interest Payment Date for such series shall mean either the fifteenth day of the month immediately preceding the month in which an Interest Payment Date established for such series pursuant to Section 2.01 hereof shall occur, if such Interest Payment Date is the first day of a month, or the last day of the month immediately preceding the month in which an Interest Payment Date established for such series pursuant to Section 2.01 hereof shall occur, if such Interest Payment Date is the fifteenth day of a month, whether or not such date is a Business Day.

Subject to the foregoing provisions of this Section, each Debenture of a series delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Debenture of such series shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debenture.

Section 2.04. Execution of Debentures. The Debentures shall, subject to the provisions of Section 2.06, be printed on steel engraved borders or fully or partially engraved, or legibly typed, as the proper officers of the Company may determine, and shall be signed on behalf of the Company by the Chairman or Vice Chairman of its Board of Directors or its Chief Executive Officer, President or one of its Vice Presidents, under its corporate seal attested by its Secretary or one of its Assistant Secretaries. The signature of the Chairman, Vice Chairman, Chief Executive Officer, President or a Vice President and/or the signature of the Secretary or an Assistant Secretary in attestation of the corporate seal, upon the Debentures, may be in the form of a manual or facsimile signature and may be imprinted or otherwise reproduced on the Debentures and for that purpose the Company may use the manual or facsimile signature of any person who shall have been a Chairman, Vice Chairman, Chief Executive Officer, President or Vice President, or of any person who shall have been a Secretary or Assistant Secretary, notwithstanding the fact that at the time the Debentures shall be authenticated and delivered or disposed of such person shall have ceased to be the Chairman, Vice Chairman, Chief Executive Officer, President or a Vice President, or the Secretary or an Assistant Secretary, of the Company, as the case may be. The seal of the Company may be in the form of a facsimile of the seal of the Company and may be impressed, affixed, imprinted or otherwise reproduced on the Debentures.

Only such Debentures as shall bear thereon a Certificate of Authentication substantially in the form established for such Debentures, executed manually by an authorized signatory of the

Trustee, or by any Authenticating Agent with respect to such Debentures, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate executed by the Trustee, or by any Authenticating Agent appointed by the Trustee with respect to such Debentures, upon any Debenture executed by the Company shall be conclusive evidence that the Debenture so authenticated has been duly authenticated and made available for delivery hereunder and that the holder is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Debenture shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Debenture to the Trustee for cancellation as provided in Section 2.08, for all purposes of this Indenture such Debenture shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debentures of any series executed by the Company to the Trustee for authentication, together with a written order of the Company for the authentication and delivery of such Debentures, signed by its President or any Vice President and its Treasurer or any Assistant Treasurer, and the Trustee in accordance with such written order shall authenticate and make available for delivery such Debentures. Each Debenture shall be dated the date of its authentication by the Trustee.

In authenticating such Debentures and accepting the additional responsibilities under this Indenture in relation to such Debentures, the Trustee shall be entitled to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the form and terms thereof have been established in conformity with the provisions of this Indenture.

The Trustee shall not be required to authenticate such Debentures if the issue of such Debentures pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Debentures and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Section 2.05. Exchange of Debentures. (a) Debentures of any series may be exchanged upon presentation thereof at a Place of Payment, for other Debentures of such series of authorized denominations, and for a like aggregate principal amount, upon payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, all as provided in this Section. In respect of any Debentures so surrendered for exchange, the Company shall execute, the Trustee shall authenticate and such office or agency shall make available for delivery in exchange therefor the Debenture or Debentures of the same series which the Debentureholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

(b) The Company shall keep, or cause to be kept, at the Corporate Trust Office of the Trustee (the register maintained in such office and in any other office or agency of the Company in a Place of Payment is herein sometimes collectively referred to as the "Debenture Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall register the Debentures and the transfers of Debentures as in this Article provided and which at all reasonable

times shall be open for inspection by the Trustee. The registrar for the purpose of registering Debentures and transfer of Debentures as herein provided shall be appointed by the Company (the "Debenture Registrar"). The initial Debenture Registrar shall be the Trustee.

Upon surrender for transfer of any Debenture at the office or agency of the Company in a Place of Payment, the Company shall execute and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more new Debentures of the same series as the Debenture presented, of any authorized denominations and of like tenor and aggregate principal amount.

All Debentures presented or surrendered for exchange or registration of transfer, as provided in this Section, shall be accompanied (if so required by the Company or the Debenture Registrar) by a written instrument or instruments of transfer, in form satisfactory to the Company or the Debenture Registrar, duly executed by the registered holder or by his duly authorized attorney in writing.

(c) No service charge shall be made for any exchange or registration of transfer of Debentures, or issue of new Debentures in case of partial redemption of any series, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, other than exchanges pursuant to Section 2.06, Section 3.03(b) and Section 9.04 not involving any transfer.

(d) The Company shall not be required (i) to issue, exchange or register the transfer of any Debentures during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Debentures and ending at the close of business on the day of such mailing, nor (ii) to register the transfer of or exchange any Debentures of any series or portions thereof called for redemption. The provisions of this Section 2.05 are, with respect to any Global Debenture, subject to Section 2.11 hereof.

Section 2.06. Temporary Debentures. Pending the preparation of definitive Debentures of any series, the Company may execute, and the Trustee shall authenticate and make available for delivery, temporary Debentures (printed, lithographed or typewritten) of any authorized denomination, and substantially in the form of the definitive Debentures in lieu of which they are issued, but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Every temporary Debenture of any series shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Debentures of such series. Without unnecessary delay the Company will execute and will furnish definitive Debentures of such series and thereupon any or all temporary Debentures of such series may be surrendered in exchange therefor (without charge to the holders), at a Place of Payment, and upon receipt of a written order of the Company signed by its President or any Vice President and its Treasurer or any Assistant Treasurer, the Trustee shall authenticate and deliver in exchange for such temporary Debentures an equal aggregate principal amount of definitive Debentures of such series, unless the Company

advises the Trustee to the effect that definitive Debentures need not be executed and furnished until further notice from the Company. Until so exchanged, the temporary Debentures of such series shall be entitled to the same benefits under this Indenture as definitive Debentures of such series authenticated and delivered hereunder.

Section 2.07. Mutilated, Destroyed, Lost or Stolen Debentures. In case any temporary or definitive Debenture shall become mutilated or be destroyed, lost or stolen, the Company (subject to the next succeeding sentence) shall execute, and upon its written request the Trustee (subject as aforesaid) shall authenticate and make available for delivery, a new Debenture of the same series bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture, or in lieu of and in substitution for the Debenture so destroyed, lost or stolen. In every case the applicant for a substituted Debenture shall furnish to the Company and to the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of the applicant's Debenture and of the ownership thereof. The Trustee may authenticate any such substituted Debenture and make available for delivery the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Debenture, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Debenture which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Debenture, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debenture) if the applicant for such payment shall furnish to the Company and to the Trustee such security or indemnity as they may require to save them harmless, and, in case of destruction, loss or theft, evidence to the satisfaction of the Company and the Trustee of the destruction, loss or theft of such Debenture and of the ownership thereof.

Every Debenture issued pursuant to the provisions of this Section in substitution for any Debenture which is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Debenture shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures of the same series duly issued hereunder. All Debentures shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures, and shall preclude (to the extent lawful) any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.08. Cancellation of Surrendered Debentures. All Debentures surrendered for the purpose of payment, redemption, exchange or registration of transfer shall, if surrendered to the Company or any paying agent, be delivered to the Trustee for cancellation, or, if surrendered to the

Trustee, shall be cancelled by it, and no Debentures shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Indenture. On written request of the Company, the Trustee shall deliver to the Company cancelled Debentures held by the Trustee. If the Company shall otherwise acquire any of the Debentures, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered to the Trustee for cancellation.

Section 2.09. Provisions of Indenture and Debentures for Sole Benefit of Parties and Debentureholders. Nothing in this Indenture or in the Debentures, express or implied, shall give or be construed to give to any Person other than the parties hereto and the holders of the Debentures, any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; all such covenants, conditions and provisions being for the sole benefit of the parties hereto and of the holders of the Debentures.

Section 2.10. Appointment of Authenticating Agent. So long as any of the Debentures of any series remain outstanding there may be an Authenticating Agent for any or all such series of Debentures which the Trustee shall have the right to appoint. Said Authenticating Agent shall be authorized to act on behalf of the Trustee to authenticate Debentures of such series issued upon exchange, transfer or partial redemption thereof, and Debentures so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. All references in this Indenture to the authentication of Debentures by the Trustee shall be deemed to include authentication by an Authenticating Agent for such series except for authentication upon original issuance or pursuant to Section 2.07 hereof. Each Authenticating Agent shall be acceptable to the Company and shall be a corporation which has a combined capital and surplus, as most recently reported or determined by it, sufficient under the laws of any jurisdiction under which it is organized or in which it is doing business to conduct a trust business, and which is otherwise authorized under such laws to conduct such business and is subject to supervision or examination by Federal or State authorities. If at any time any Authenticating Agent shall cease to be eligible in accordance with these provisions, it shall resign immediately.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time (and upon request by the Company shall) terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon resignation, termination or cessation of eligibility of any Authenticating Agent, the Trustee may appoint an eligible successor Authenticating Agent acceptable to the Company. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder as if originally named as an Authenticating Agent pursuant hereto.

Section 2.11. Global Debentures. (a) If the Company shall establish pursuant to Section 2.01 that the Debentures of a particular series are to be issued as one or more Global Debentures, then the Company shall execute and the Trustee shall, in accordance with Section 2.04, authenticate and deliver, one or more Global Debentures which (i) shall represent, and shall be denominated in

an aggregate amount equal to the aggregate principal amount of, all of the Outstanding Debentures of such series, (ii shall be registered in the name of the Depository or its nominee, (iii shall be delivered by the Trustee to the Depository or pursuant to the Depository's instruction and (iv shall bear, subject to Section 2.01(12), a legend substantially to the following effect: "Except as otherwise provided in Section 2.11 of the Indenture, this Debenture may be transferred, in whole but not in part, only to another nominee of the Depository or to a successor Depository or to a nominee of such successor Depository."

(b) Notwithstanding the provisions of Section 2.05, the Global Debenture of a series may be transferred, in whole but not in part and in the manner provided in Section 2.05, only to another nominee of the Depository for such series, or to a successor Depository for such series selected or approved by the Company or to a nominee of such successor Depository.

(c) If at any time the Depository for a series of Debentures notifies the Company that it is unwilling or unable to continue as Depository for such series or if at any time the Depository for such series shall no longer be registered or in good standing under the Exchange Act, or other applicable statute or regulation and a successor Depository for such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, this Section 2.11 shall no longer be applicable to the Debentures of such series and the Company will execute, and subject to Section 2.05, the Trustee will authenticate and make available for delivery Debentures of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Debentures of such series in exchange for such Global Debentures. In addition, the Company may at any time determine that the Debentures of any series shall no longer be represented by one or more Global Debentures and that the provisions of this Section 2.11 shall no longer apply to the Debentures of such series. In such event the Company will execute and subject to Section 2.05, the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Company, will authenticate and deliver Debentures of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Debentures of such series in exchange for such Global Debentures. Upon the exchange of the Global Debentures for Debentures in definitive registered form without coupons, in authorized denominations, the Global Debentures shall be cancelled by the Trustee. Such Debentures in definitive registered form issued in exchange for Global Debentures pursuant to this Section 2.11(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Debentures to the Depository for delivery to the persons in whose name such Debentures are so registered.

(d) Debentures distributed to holders of Global Certificates (as defined in the applicable Declaration of Trust) upon the dissolution of the applicable Trust shall be distributed in the form of one or more Global Debentures registered in the name of the Depository or its nominee, and deposited with the Debenture Registrar, as custodian for the Depository, or with such Depository, for credit by the Depository to the respective accounts of the beneficial owners of the Debentures

represented thereby (or such other accounts as they may direct). Prior to the distribution of Debentures to holders of Global Certificates upon the dissolution of the applicable Trust, the Company shall designate the Depositary in writing to the Trustee. Debentures distributed to holders of Certificates (as defined in the applicable Declaration of Trust), other than Global Certificates, upon the dissolution of the applicable Trust shall not be issued in the form of a Global Debenture or any other form intended to facilitate book-entry trading in beneficial interests in such Debentures.

(e) The Depositary or its nominee, as the registered owner of a Global Debenture, shall be the holder of such Global Debenture for all purposes under this Indenture and the Debentures, and owners of beneficial interests in a Global Debenture shall hold such interests pursuant to the applicable procedures of the Depositary. Accordingly, any such owner's beneficial interest in a Global Debenture shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or its participants. None of the Company, the Trustee or the Debenture Registrar shall have any liability in respect of any transfer effected by the Depositary.

(f) The rights of owners of beneficial interests in a Global Debenture shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such owners and the Depositary and/or its participants.

Section 2.12. CUSIP Numbers. The Company in issuing the Debentures may use "CUSIP" numbers, and the Trustee shall use such CUSIP numbers in notices of redemption or exchange as a convenience to Debentureholders and no representation shall be made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of redemption or exchange. The Company shall promptly notify the Trustee of any change in the CUSIP numbers of the Debentures.

### ARTTICLE 3 REDEMPTION OF DEBENTURES AND SINKING FUND PROVISIONS

Section 3.01. Redemption. The Company may redeem the Debentures of any series issued hereunder on and after the dates and in accordance with the terms established for such series pursuant to Section 2.01 hereof.

Section 3.02. Notice of Redemption. (a) In case the Company shall desire to exercise such right to redeem all or, as the case may be, a portion of the Debentures of any series in accordance with the right reserved so to do, it shall give notice of such redemption to the Trustee at least 45 days in advance of the date fixed for redemption. The Trustee shall then notify holders of the Debentures of such series who are to be redeemed by mailing, first class postage prepaid, by a notice of such redemption not less than 30 days and not more than 60 days before the date fixed for redemption of that series to such holders at their last addresses as they shall appear upon the Debenture Register. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have

been duly given, whether or not the registered holder receives the notice. In any case, failure duly to give such notice to the holder of any Debenture of any series designated for redemption in whole or in part, or any defect in the notice, shall not affect the validity of the proceedings for the redemption of any other Debentures of such series or any other series. In the case of any redemption of Debentures prior to the expiration of any restriction on such redemption provided in the terms of such Debentures or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with any such restriction.

Each such notice of redemption shall identify the Debentures to be redeemed (including CUSIP number) and shall specify: (i) the date fixed for redemption, (ii) the redemption price at which Debentures of that series are to be redeemed, (iii) the place or places where Debentures are to be surrendered for payment of the redemption price, (iv) that payment of the redemption price will be made upon presentation and surrender of such Debentures, at such place or places, (v) that interest accrued to the date fixed for redemption will be paid as specified in said notice, (vi) that from and after said date interest will cease to accrue and (vii) that the redemption is for a sinking fund, if such is the case. If less than all the Debentures of a series are to be redeemed, the notice to the holders of Debentures of that series to be redeemed in whole or in part shall specify the particular Debentures to be so redeemed. In case any Debenture is to be redeemed in part only, the notice which relates to such Debenture shall state the portion of the principal amount thereof to be redeemed, and shall state that on and after the redemption date, upon surrender of such Debenture, a new Debenture or Debentures of such series in principal amount equal to the unredeemed portion thereof will be issued.

(b) In the event of a partial redemption of a series of Debentures, the Company shall give the Trustee at least 45 days' notice in advance of the date fixed for redemption as to the aggregate principal amount of Debentures of the series to be redeemed and the other information set forth in the immediately preceding paragraph, and thereupon the Trustee shall select, by lot or in such other manner as it shall deem appropriate and fair in its discretion and which may provide for the selection of a portion or portions (equal to \$25 or any integral multiple thereof) of the principal amount of such Debentures of a denomination larger than \$25, the Debentures to be redeemed and shall thereafter promptly notify the Company in writing of the numbers of the Debentures to be redeemed, in whole or in part. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Debentures shall relate, in the case of any Debenture redeemed or to be redeemed only in part, to the portion of the principal amount of such Debenture which has been or is to be redeemed. If the Company shall so direct, Debentures registered in the name of the Company, any Affiliate or any Subsidiary thereof shall not be included in the Debentures selected for redemption.

The Company may, if and whenever it shall so elect, by delivery of instructions signed on its behalf by its President or any Vice President, instruct the Trustee or any paying agent to call all or any part of the Debentures of a particular series for redemption and to give notice of redemption in the manner set forth in this Section, such notice to be in the name of the Company or its own name as the Trustee or such paying agent may deem advisable. In any case in which notice of redemption

is to be given by the Trustee or any such paying agent, the Company shall deliver or cause to be delivered to, or permit to remain with, the Trustee or such paying agent, as the case may be, such Debenture Register, transfer books or other records, or suitable copies or extracts therefrom, sufficient to enable the Trustee or such paying agent to give any notice by mail that may be required under the provisions of this Section.

Section 3.03. Payment Upon Redemption. (a) If the giving of notice of redemption shall have been completed as above provided and funds deposited as required, the Debentures or portions of Debentures of the series to be redeemed specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to, but excluding, the date fixed for redemption, and interest on such Debentures or portions of Debentures shall cease to accrue on and after the date fixed for redemption, unless the Company shall default in the payment of such redemption price and accrued interest with respect to any such Debenture or portion thereof. On presentation and surrender of such Debentures on or after the date fixed for redemption at the place of payment specified in the notice, said Debentures shall be paid and redeemed at the applicable redemption price for such series, together with interest accrued thereon to, but excluding, the date fixed for redemption (but if the date fixed for redemption is an interest payment date, the interest installment payable on such date shall be payable to the registered holder at the close of business on the applicable record date pursuant to Section 2.03).

(b) Upon presentation of any Debenture of such series which is to be redeemed in part only, the Company shall execute and the Trustee shall authenticate and the office or agency where the Debenture is presented shall make available for delivery to the holder thereof, at the expense of the Company, a new Debenture or Debentures of the same series, of authorized denominations in principal amount equal to the unredeemed portion of the Debenture so presented.

Section 3.04. Sinking Funds for Debentures. The provisions of Sections 3.04, 3.05 and 3.06 shall be applicable to any sinking fund for the retirement of Debentures of a series, except as otherwise specified as contemplated by Section 2.01 for Debentures of such series.

The minimum amount of any sinking fund payment provided for by the terms of Debentures of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Debentures of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Debentures for any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 3.05. Each sinking fund payment shall be applied to the redemption of Debentures of any series as provided for by the terms of Debentures of such series.

Section 3.05. Satisfaction of Sinking Fund Payments With Debentures. The Company (i) may deliver outstanding Debentures of a series (other than any previously called for redemption) and (ii) may apply as a credit Debentures of a series which have been redeemed either at the election of the Company pursuant to the terms of such Debentures or through the application of permitted optional sinking fund payments pursuant to the terms of such Debentures, in each case in satisfaction

of all or any part of any sinking fund payment with respect to the Debentures of such series required to be made pursuant to the terms of such Debentures as provided for by the terms of such series; provided that such Debentures have not been previously so credited. Such Debentures shall be received and credited for such purpose by the Trustee at the redemption price specified in such Debentures for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 3.06. Redemption of Debentures for Sinking Fund. Not less than 45 days prior to each sinking fund payment date for any series of Debentures, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms for that series, the portion thereof, if any, which is to be satisfied by delivering and crediting Debentures of that series pursuant to Section 3.05 and the basis for such credit and will, together with such Officers' Certificate, deliver to the Trustee any Debentures to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Debentures to be redeemed upon such sinking fund payment date in the manner specified in Section 3.02 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.02. Such notice having been duly given, the redemption of such Debentures shall be made upon the terms and in the manner stated in Section 3.03.

ARTICLE 4  
PARTICULAR COVENANTS OF THE COMPANY

The Company covenants and agrees for each series of the Debentures as follows:

Section 4.01. Payment of Principal of (and Premium, if any) and Interest on Debentures. The Company will duly and punctually pay or cause to be paid the principal of (and premium, if any) and interest on the Debentures of that series at the time and place and in the manner provided herein and established with respect to such Debentures.

Section 4.02. Maintenance of Office or Agent for Payment of Debentures, Designation of Office or Agency for Payment, Registration, Transfer and Exchange of Debentures. So long as any series of the Debentures remain outstanding, the Company agrees to maintain an office or agency in each Place of Payment, with respect to each such series and at such other location or locations as may be designated as provided in this Section 4.02, where (i) Debentures of that series may be presented for payment, (ii) Debentures of that series may be presented as hereinabove authorized for registration of transfer and exchange, and (iii) notices and demands to or upon the Company in respect of the Debentures of that series and this Indenture may be given or served, such designation to continue with respect to such office or agency until the Company shall, by written notice signed by its President or a Vice President and delivered to the Trustee, designate some other office or agency for such purposes or any of them. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such

presentations, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, notices and demands.

Section 4.03. Duties of Paying Agent; Company as Payment Agent; and Holding Sums In Trust. (a) If the Company shall appoint one or more paying agents for all or any series of the Debentures, other than the Trustee, the Company will cause each such paying agency to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section:

(1) that it will hold all sums held by it as such agent for the payment of the principal of (and premium, if any) or interest on the Debentures of that series (whether such sums have been paid to it by the Company or by any other obligor of such Debentures) in trust for the benefit of the persons entitled thereto;

(2) that it will give the Trustee written notice of any failure by the Company (or by any other obligor of such Debentures) to make any payment of the principal of (and premium, if any) or interest on the Debentures of that series when the same shall be due and payable;

(3) that it will, at any time during the continuance of any failure referred to in the preceding paragraph (a)(2) above, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent; and

(4) that it will perform all other duties of paying agent as set forth in this Indenture.

(b) If the Company shall act as its own paying agent with respect to any series of the Debentures, it will on or before each due date of the principal of (and premium, if any) or interest on Debentures of that series, set aside, segregate and hold in trust for the benefit of the persons entitled thereto a sum sufficient to pay such principal (and premium, if any) or interest so becoming due on Debentures of that series until such sums shall be paid to such persons or otherwise disposed of as herein provided and will promptly notify in writing the Trustee of such action, or any failure (by it or any other obligor on such Debentures) to take such action. Whenever the Company shall have one or more paying agents for any series of Debentures, it will, prior to 11:00 a.m. New York City time on each due date of the principal of (and premium, if any) or interest on any Debentures of that series, deposit with the paying agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the persons entitled to such principal, premium or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

(c) Anything in this Section to the contrary notwithstanding, (i) the agreement to hold sums in trust as provided in this Section is subject to the provisions of Section 11.05, and (ii) the

Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or direct any paying agent to pay, to the Trustee all sums held in trust by the Company or such paying agent, such sums to be held by the Trustee upon the same terms and conditions as those upon which such sums were held by the Company or such paying agent; and, upon such payment by any paying agent to the Trustee, such paying agent shall be released from all further liability with respect to such money.

Section 4.04. Appointment to Fill Vacancy in Office of Trustee. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.10, a Trustee, so that there shall at all times be a Trustee hereunder.

#### ARTICLE 5

##### DEBENTUREHOLDERS LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01. Company to Furnish Trustee Information as to Names and Addresses of Debentureholders. The Company will furnish or cause to be furnished to the Trustee (a) on each regular record date (as defined in Section 2.03) a list, in such form as the Trustee may reasonably require, of the names and addresses of the holders of each series of Debentures as of such regular record date, provided, that the Company shall not be obligated to furnish or cause to be furnished such list at any time that the list shall not differ in any respect from the most recent list furnished to the Trustee by the Company and (b) at such other times as the Trustee may request in writing within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished; provided, however, no such list need be furnished for any series for which the Trustee shall be the Debenture Registrar.

Section 5.02. Trustee to Preserve Information as to Names and Addresses of Debentureholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debentures contained in the most recent list furnished to it as provided in Section 5.01 and as to the names and addresses of holders of Debentures received by the Trustee in its capacity as Debenture Registrar (if acting in such capacity).

(b) The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

(c) In case three or more holders of Debentures of a series (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Debenture for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Debentures of such series or holders of all Debentures with respect to their rights under this Indenture or under such Debentures, and is accompanied by a copy of the form of proxy or other

communication which such applicants propose to transmit, then the Trustee shall within five Business Days after the receipt of such application, at its election, either:

(1) afford to such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 5.02; or

(2) inform such applicants as to the approximate number of holders of Debentures of such series or of all Debentures, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of subsection (a) of this Section 5.02, and as to the approximate cost of mailing to such Debentureholders the form of proxy or other communication, if any, specified in such application.

(d) If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each holder of such series or of all Debentures, as the case may be, whose name and address appears in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 5.02, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Securities and Exchange Commission (the "Commission"), together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Debentures of such series or of all Debentures, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Debentureholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise, the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(e) Each and every holder of the Debentures, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debentures in accordance with the provisions of subsection (c) of this Section 5.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (c).

Section 5.03. Annual and Other Reports to Be Filed by Company With the Trustee. (a) The Company covenants and agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission in accordance with the rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(b) The Company covenants and agrees to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) The Company covenants and agrees to transmit by mail, first class postage prepaid, or reputable over-night delivery service which provides for evidence of receipt, to the Debentureholders, as their names and addresses appear upon the Debenture Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

(d) The Company covenants and agrees to furnish to the Trustee, on or before May 15 in each calendar year in which any of the Debentures are outstanding, or on or before such other day in each calendar year as the Company and the Trustee may from time to time agree upon, a Certificate as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this subsection (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

(e) The Company shall deliver to the Trustee, as soon as possible and in any event within five days after the Company becomes aware of the occurrence of any Event of Default, an Officers' Certificate setting forth the details of such Event of Default and the action which the Company proposes to take with respect thereto.

Section 5.04. Trustee to Transmit Annual Report to Debentureholders.

(a) The Trustee shall transmit to Debentureholders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. If required by Section 313(a) of the Trust Indenture Act, the Trustee shall, within 60 days after each January 15 following the date of this Indenture, commencing January 15, 2000, deliver to Debentureholders a brief report, dated as of such January 15, which complies with the provisions of such Section 313(a).

(b) The Trustee shall comply with Section 313(b) and 313(c) of the Trust Indenture Act.

(c) A copy of each such report shall, at the time of such transmission to Debentureholders, be filed by the Trustee with the Company, with each stock exchange upon which any Debentures are listed (if so listed) and also with the Commission. The Company agrees to notify the Trustee when any Debentures become listed on any stock exchange and of any delisting thereof.

ARTICLE 6

REMEDIES OF THE TRUSTEE AND DEBENTUREHOLDERS ON EVENT OF DEFAULT

SECTION 6.01. Events of Default Defined. (a) Whenever used herein with respect to Debentures of a particular series, "Event of Default" means any one or more of the following events which has occurred and is continuing:

(1) default in the payment of any installment of interest upon any of the Debentures of that series, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; provided, however, that a valid extension of an interest payment period by the Company in accordance with the terms of Debentures of that series established pursuant to Section 2.01 hereof, shall not constitute a default in the payment of interest for this purpose;

(2) default (i) in the payment of the principal of (and premium, if any, on) any of the Debentures of that series as and when the same shall become due and payable whether at maturity, upon redemption, by declaring or otherwise, or (ii) in any payment required by any sinking or analogous fund established with respect to that series, and in the case of this clause (ii) only, continuance of such default for a period of 30 days;

(3) failure on the part of the Company duly to observe or perform, in any material respect, any other of the covenants or agreements on the part of the Company with respect to that series contained in such Debentures or otherwise established with respect to that series of Debentures pursuant to Section 2.01 hereof or contained in this Indenture (other than a covenant or agreement which has been expressly included in this Indenture solely for the benefit of one or more series of Debentures other than

such series) for a period of 90 days after the date on which written notice of such failure, requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee, by registered or certified mail, or to the Company and the Trustee by the holders of at least 25% in principal amount of the Debentures of that series at the time Outstanding;

(4) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation or reorganization of the Company under the Federal Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order shall have continued unvacated and unstayed for a period of 90 days; or an involuntary case shall be commenced under such Code in respect of the Company and shall continue undismissed for a period of 90 days or an order for relief in such case shall have been entered; or a decree or order of a court having jurisdiction in the premises shall have been entered for the appointment on the ground of insolvency or bankruptcy of a receiver or custodian or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or of its property, or for the winding up or liquidation of its affairs, and such decree or order shall have remained in force unvacated and unstayed for a period of 90 days;

(5) the Company shall institute proceedings to be adjudicated a voluntary bankrupt or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking liquidation or reorganization under the Federal Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment on the ground of insolvency or bankruptcy of a receiver or custodian or liquidator or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors; or

(6) any other Event of Default provided with respect to Debentures of that series.

(b) In each and every such case, unless the principal of all the Debentures of that series shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Debentures of that series then Outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by such Debentureholders), may declare the principal of all the Debentures of that series to be due and payable immediately and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Indenture or in the Debentures of that series or established with respect to that series pursuant to Section 2.01 hereof to the contrary notwithstanding. Payment of principal and interest on such Debentures shall remain subordinated to the extent provided in Article 14 notwithstanding that such amount shall become immediately due and payable as herein provided.

(c) Section 6.01(b), however, is subject to the condition that if, at any time after the principal of the Debentures of that series shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Debentures of that series and the principal of (and premium, if any, on) any and all Debentures of that series which shall have become due otherwise than by acceleration (with interest upon such principal and premium if any, and, to the extent that such payment is enforceable under applicable law, upon overdue installments of interest, at the rate per annum expressed in the Debentures of that series to the date of such payment or deposit) and the amount payable to the Trustee under Section 7.06, and any and all defaults under the Indenture, other than the nonpayment of principal on Debentures of that series which shall not have become due by their terms, shall have been remedied or waived as provided in Section 6.06 then and in every such case the holders of a majority in aggregate principal amount of the Debentures of that series then outstanding (subject to, in the case of any series of Debentures held as trust assets of a Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of the holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust), by written notice to the Company and to the Trustee, may rescind and annul such declaration and its consequences with respect to that series of Debentures; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.

(d) In case the Trustee shall have proceeded to enforce any right with respect to Debentures of that series under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceedings had been taken.

(e) If, prior to a Security Exchange with respect to the Debentures of any series, a Default with respect to the Debentures of such series shall have occurred, the Company expressly acknowledges that under the circumstances set forth in the applicable Declaration of Trust, any holder of Preferred Securities of the applicable Trust may, to the fullest extent permitted by law, enforce directly against the Company the applicable Property Trustee's rights hereunder. In furtherance of the foregoing and for the avoidance of any doubt, the Company acknowledges that, under the circumstances described in the applicable Declaration of Trust, any such holder of Preferred Securities, in its own name, in the name of the applicable Trust or in the name of the holders of the Preferred Securities issued by such Trust, may institute or cause to be instituted a proceeding, including, without limitation, any suit in equity, an action at law or other judicial or administrative proceeding, to enforce the applicable Property Trustee's rights hereunder directly against the Company as issuer of the applicable series of Debentures, and may prosecute such proceeding to judgment or final decree, and enforce the same against the Company.

Section 6.02 Covenant of Company to Pay to Trustee Whole Amount Due on Debentures on Default in Payment of Interest or Principal (and Premiums, if any). (a) The Company covenants that (1) in case default shall be made in the payment of any installment of interest on any of the Debentures of a series, or any payment required by any sinking or analogous fund established with respect to that series as and when the same shall have become due and payable, and such default shall have continued for a period of 30 days, or (2) in case default shall be made in the payment of the principal of (or premium, if any, on) any of the Debentures of a series when the same shall have become due and payable, whether upon maturity of the Debentures of a series or upon redemption or upon declaration or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Debentures of that series, the whole amount that then shall have become due and payable on all such Debentures for principal (and premium, if any) or interest, or both, as the case may be, with interest upon the overdue principal (and premium, if any) and (to the extent that payment of such interest is enforceable under applicable law and without duplication of any other amounts paid by the Company or the applicable Trust in respect thereof) upon overdue installments of interest at the rate per annum expressed in the Debentures of that series; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, and the amount payable to the Trustee under Section 7.06.

(b) In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Debentures of that series and collect in the manner provided by law out of the property of the Company or other obligor upon the Debentures of that series wherever situated the moneys adjudged or decreed to be payable.

(c) In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, readjustment, arrangement, composition or other judicial proceedings affecting the Company, any other obligor on such Debentures, or the creditors or property of either, the Trustee shall have the power to intervene in such proceedings and take any action therein that may be permitted by the court and shall (except as may be otherwise provided by law) be entitled to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of Debentures of such series allowed for the entire amount due and payable by the Company or such other obligor under the Indenture at the date of institution of such proceedings and for any additional amount which may become due and payable by the Company or such other obligor after such date, and to collect and receive any moneys or other property payable or deliverable on any such claim, and to distribute the same after the deduction of the amount payable to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the holders of Debentures of such series to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to such Debentureholders, to pay to the Trustee any amount due it under Section 7.06.

(d) All rights of action and of asserting claims under this Indenture, or under any of the terms established with respect to Debentures of that series, may be enforced by the Trustee without the possession of any of such Debentures, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for payment to the Trustee of any amounts due under Section 7.06, be for the ratable benefit of the holders of the Debentures of such series.

In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Debentureholder any plan of reorganization, arrangement, adjustment or composition affecting the Debentures of that series or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Debentureholder in any such proceeding.

Section 6.03. Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to this Article with respect to a particular series of Debentures shall be applied in the order following, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the several Debentures of that series, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses of collection and of all amounts payable to the Trustee under Section 7.06;

SECOND: To the payment of all Senior Debt of the Company if and to the extent required by Article 14;

THIRD: To the payment of the amounts then due and unpaid upon Debentures of such series for principal (and premium, if any) and interest in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Debentures for principal (and premium, if any) and interest, respectively; and

FOURTH: The balance, if any, to the Person or Persons entitled thereto.

Section 6.04. Limitation on Suits by Holders of Debentures. No holder of any Debenture of any series shall have any right by virtue or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to Debentures of such series specifying such Event of Default, as hereinbefore provided, (ii) the holders of not less than 25% in aggregate principal amount of the Debentures of such series then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as trustee hereunder, (iii) shall have offered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, (iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action, suit or proceeding; and (v) during such 60 day period, the holders of a majority in principal amount of the Debentures of that series do not give the Trustee a direction inconsistent with the request; it being understood and intended, and being expressly covenanted by the taker and holder of every Debenture of such series with every other such taker and holder and Trustee, that no one or more holders of Debentures of such series shall have any right in any manner whatsoever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other of such Debentures, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debentures of such series. For the protection and enforcement of the provisions of this Section, each and every Debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provisions of this Indenture, however, the right of any holder of any Debenture to receive payment of the principal of (and premium, if any) and interest on such Debenture, as therein provided, on or after the respective due dates expressed in such Debenture (or in the case of redemption, on the redemption date), or to institute suit for the enforcement of any such payment on or after such respective dates or redemption date, shall not be impaired or affected without the consent of such holder.

Section 6.05. Remedies Cumulative; Delay or Omission in Exercise of Rights Not Waiver of Default.

(a) All powers and remedies given by this Article 6 to the Trustee or to the Debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any others thereof or of any other powers and remedies available to the Trustee or the holders of the Debentures, by judicial proceedings or otherwise, to enforce performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to such Debentures.

(b) No delay or omission of the Trustee or of any holder of any of the Debentures to exercise any right or power accruing upon any Event of Default occurring and continuing as

aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 6.04, every power and remedy given by this Article or by law to the Trustee or to the Debentureholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Debentureholders.

Section 6.06. Rights of Holders of Majority in Principal Amount of Debentures to Direct Trustee and to Waive Defaults. The holders of a majority in aggregate principal amount of the Debentures of any series at the time Outstanding, determined in accordance with Section 8.04 (with, in the case of any series of Debentures held as trust assets of an Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust), shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to such series; provided, however, that such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudicial to the rights of holders of Debentures of any other series at the time Outstanding determined in accordance with Section 8.04 not parties thereto. Subject to the provisions of Section 7.01, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability. The holders of a majority in aggregate principal amount of the Debentures of any series at the time Outstanding affected thereby, determined in accordance with section 8.04 (with, in the case of any series of Debentures held as trust assets of a Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust), may on behalf of the holders of all of the Debentures of such series waive any past default in the performance of any of the covenants contained herein or established pursuant to Section 2.01 with respect to such series and its consequences, except a default in the payment of the principal of, or premium, if any, or interest on, any of the Debentures of that series as and when the same shall become due by the terms of such Debentures otherwise than by acceleration (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal and any premium has been deposited with the Trustee (in accordance with Section 6.01(c)), or a call for redemption of Debentures of that series. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Debentures of such series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.07. Trustee to Give Notice of Defaults Known To It, But May Withhold in Certain Circumstances. The Trustee shall, within 90 days after the occurrence of a default with respect to a particular series, transmit by mail, first class postage prepaid, to the holders of Debentures of that series, as their names and addresses appear upon the Debenture Register, notice of all defaults with respect to that series known to the Trustee, unless such defaults shall have been cured before the

giving of such notice (the term "defaults" for the purposes of this Section being hereby defined to be the events specified in subsections (1), (2), (3), (4) and (5) of Section 6.01(a), not including any periods of grace provided for therein and irrespective of the giving of notice provided for by subsection (3) of Section 6.01(a)); provided, that, except in the case of default in the payment of the principal of (or premium, if any) or interest on any of the Debentures of that series or in the payment of any sinking fund installment established with respect to that series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers, of the Trustee in good faith determine that the withholding of such notice is in the interests of the holders of Debentures of that series; provided further, that in the case of any default of the character specified in Section 6.01(a)(3) with respect to Debentures of such series no such notice to the holders of the Debentures of that series shall be given until at least 30 days after the occurrence thereof.

The Trustee shall not be deemed to have knowledge of any default, except (i) a default under subsection (a)(1) or (a)(2) of Section 6.01 as long as the Trustee is acting as paying agent for such series of Debentures or (ii) any default as to which a Responsible Officer of the Trustee shall have received written notice.

Section 6.08. Requirements of an Undertaking to Pay Costs in Certain Suits Under Indenture or Against Trustee. All parties to this Indenture agree, and each holder of any Debentures by his or her acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Debentureholder, or group of Debentureholders, holding more than 10% in aggregate principal amount of the outstanding Debentures of any series, or to any suit instituted by any Debentureholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Debenture of such series, on or after the respective due dates expressed in such Debenture or established pursuant to this Indenture.

#### ARTICLE 7 CONCERNING THE TRUSTEE

Section 7.01. Upon Event of Default Occurring and Continuing, Trustee Shall Exercise Powers Vested In It, and Use Same Degree of Care and Skill In Their Exercise, as Prudent Individual Would Use. (a) The Trustee, prior to the occurrence of an Event of Default with respect to Debentures of a series and after the curing of all Events of Default with respect to Debentures of that series which may have occurred, shall undertake to perform with respect to Debentures of such series such duties and only such duties as are specifically set forth in this Indenture, and no implied

covenants shall be read into this Indenture against the Trustee. In case an Event of Default with respect to Debentures of a series has occurred (which has not been cured or waived), the Trustee shall exercise with respect to Debentures of that series such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) prior to the occurrence of an Event of Default with respect to Debentures of a series and after the curing or waiving of all such Events of Default with respect to that series which may have occurred:

(i) the duties and obligations of the Trustee shall with respect to Debentures of such series be determined solely by the express provisions of this Indenture and the Trust Indenture Act and the Trustee shall not be liable with respect to Debentures of such series except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may with respect to Debentures of such series conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Debentures of any series at the time outstanding relating to the time, method and place of

conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture with respect to the Debentures of that series;

(4) none of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Indenture or adequate indemnity against such risk is not reasonably assured to it; and

(5) whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 7.

Section 7.02. Certain Rights of the Trustee. Except as otherwise provided in Section 7.01:

(a) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by a Board Resolution or an instrument signed in the name of the Company by the President or any Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer (unless other evidence in respect thereof is specifically prescribed herein);

(c) The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted hereunder in good faith and in reliance thereon;

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Debentureholders, pursuant to the provisions of this Indenture, unless such Debentureholders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; nothing herein contained shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default with respect to a series of the Debentures (which has not been cured or waived) to exercise with respect to

Debentures of that series such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(e) The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; nothing herein contained shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default with respect to a series of the Debentures (which has not been cured or waived) to exercise with respect to Debentures of that series such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security, or other papers or documents, unless requested in writing so to do by the holders of not less than a majority in principal amount of the outstanding Debentures of the particular series affected thereby (determined as provided in Section 8.04); provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity satisfactory to it against such costs, expenses or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand;

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

Section 7.03. Trustee Not Liable for Recitals In Indenture or In Debentures. (a) The recitals contained herein and in the Debentures (other than the Certificate of Authentication on the Debentures) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same.

(b) The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures.

(c) The Trustee shall not be accountable for the use or application by the Company of any of the Debentures or of the proceeds of such Debentures, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Indenture or established pursuant to Section 2.01, or for the use or application of any moneys received by any paying agent other than the Trustee.

Section 7.04. Trustee, Paying Agent or Debenture Registrar May Own Debentures. The Trustee or any paying agent or Debenture Registrar, in its individual or any other capacity, may become the owner or pledgee of Debentures and, subject to Sections 7.08 and 7.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, paying agent or Debenture Registrar.

Section 7.05. Moneys Received by Trustee to Be Held In Trust Without Interest. Subject to the provisions of Section 11.05, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree in writing to pay thereon.

Section 7.06. Trustee Entitled to Compensation, Reimbursement and Indemnity. (a) The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as the Company and the Trustee shall from time to time agree in writing (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify each of the Trustee or any predecessor Trustee and their officers, agents, directors and employees for, and to hold them harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based upon, measured by or determined by the income of the Trustee) incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Company, any Debentureholder or any other Person) of liability in the premises. The provisions of this Section 7.06 shall survive the termination of this Indenture and resignation or removal of the Trustee.

(b) The obligations of the Company under this Section to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Debentures. When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.01(4) or Section 6.01(5), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

Section 7.07. Right of Trustee to Rely on Certificate of Officers of Company Where No Other Evidence Specifically Prescribed. Except as otherwise provided in Sections 7.01 and 7.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof.

Section 7.08. Disqualification; Conflicting Interests. If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and the Company shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of said Section 310(b).

Section 7.09. Requirements for Eligibility of Trustee. There shall at all times be a Trustee with respect to the Debentures issued hereunder which shall at all times be a corporation or banking association organized and doing business under the laws of the United States of America or any state or territory thereof or of the District of Columbia, or a corporation or other Person permitted to act as trustee by the Commission, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars, and subject to supervision or examination by Federal, State, territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Company may not, nor may any person directly or indirectly controlling, controlled by, or under common control with the Company, serve as a Trustee. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.10.

Section 7.10. Resignation of Trustee and Appointment of Successor.

(a) The Trustee or any successor hereafter appointed, may at any time resign with respect to the Debentures of one or more series by giving written notice thereof to the Company and by transmitting notice of resignation by mail, first class postage prepaid, to the Debentureholders of such series, as their names and addresses appear upon the Debenture Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee with respect to Debentures of such series by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee with respect to Debentures of such series, or any Debentureholder of that series who has been a bona fide holder of a Debenture or Debentures for at least six months may, subject to the provisions of Section 6.08, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(1) the Trustee shall fail to comply with the provisions of Section 7.08 after written request therefor by the Company or by any Debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months; or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.09 and shall fail to resign after written request therefor by the Company or by any such Debentureholder; or

(3) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Company may remove the Trustee with respect to all Debentures and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of removal, the Trustee so removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee with respect to Debentures of such series, or any Debentureholder of that series who has been a bona fide holder of a Debenture or Debentures for at least six months may, subject to the provisions of Section 6.08, on behalf of himself and all others similarly situated, petition any such court for the removal of the Trustee and

the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Debentures of any series at the time outstanding may at any time remove the Trustee with respect to such series and appoint a successor trustee. If no successor Trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of removal, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debentures of such series.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee with respect to the Debentures of a series pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.11.

(e) Any successor trustee appointed pursuant to this Section may be appointed with respect to the Debentures of one or more series or all of such series, and at any time there shall be only one Trustee with respect to the Debentures of any particular series.

#### Section 7.11. Acceptance by Successor to Trustee.

(a) In case of the appointment hereunder of a successor trustee with respect to all Debentures, every such successor trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor trustee all the rights, powers, and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor trustee with respect to the Debentures of one or more (but not all) series, the Company, the retiring Trustee and each successor trustee with respect to the Debentures of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor trustee shall accept such appointment and which shall (1) contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of that or those series to which the appointment of such successor trustee relates, (2) contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) add to or change any of the provisions of this Indenture as shall be necessary to provide for or

facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and that no Trustee shall be responsible for any act or failure to act on the part of any other Trustee hereunder; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall with respect to the Debentures of that or those series to which the appointment of such successor trustee relates have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture, and each such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debentures of that or those series to which the appointment of such successor trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor trustee, to the extent contemplated by such supplemental indenture, the property and money held by such retiring Trustee hereunder with respect to the Debentures of that or those series to which the appointment of such successor trustee relates.

(c) Upon request of any such successor trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor trustee all such rights, power and trusts referred to in paragraph (a) or (b) of this Section 7.11, as the case may be.

(d) No successor trustee shall accept its appointment unless at the time of such acceptance such successor trustee shall be qualified and eligible under this Article.

(e) Upon acceptance of appointment by a successor trustee as provided in this Section 7.11, the successor trustee shall transmit notice of the succession of such trustee hereunder by mail, first class postage prepaid, to the Debentureholders, as their names and addresses appear upon the Debenture Register.

Section 7.12. Successor to Trustee by Merger, Consolidation or Succession to Business. Any corporation or banking association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any Debentures shall have been authenticated, but not made available for delivery, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and make available for delivery the Debentures so authenticated with the same effect as if such successor Trustee had itself authenticated such Debentures.

Section 7.13. Preferential Collection of Claims Against the Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship described in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent included therein as though such resignation or removal, as the case may be, had not occurred.

ARTICLE 8  
CONCERNING THE DEBENTURES

Section 8.01. Evidence of Action by Debentureholders. Whenever in this Indenture it is provided that the holders of a majority or specified percentage in aggregate principal amount of the Debentures of a particular series may take any action (including the making of any demand or request, the giving of any notice consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such majority or specified percentage of that series have joined therein may be evidenced by any instrument or any number of instruments of similar tenor executed by such holders of Debentures of that series in person or by agent or proxy appointed in writing.

If the Company shall solicit from the Debentureholders of any series any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, as evidenced by an Officers' Certificate, fix in advance a record date for such series for the determination of Debentureholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Debentureholders of record at the close of business on the record date shall be deemed to be Debentureholders for the purposes of determining whether Debentureholders of the requisite proportion of Outstanding Debentures of that series have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Outstanding Debentures of that series shall be computed as of the record date; provided that no such authorization, agreement or consent by such Debentureholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

Section 8.02. Proof of Execution of Instruments and of Holding of Debentures. Subject to the provisions of Sections 7.01 and 7.02, proof of the execution of any instrument by a Debentureholder (such proof will not require notarization) or his agent or proxy and proof of the holding by any person of any of the Debentures shall be sufficient if made in the following manner;

- (a) The fact and date of the execution by any such person of any instrument may be proved in any reasonable manner acceptable to the Trustee.

(b) The ownership of Debentures shall be proved by the Debenture Register of such Debentures or by a certificate of the Debenture Registrar thereof.

(c) The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

Section 8.03. Who May Be Deemed Owners of Debentures. Prior to the due presentment for registration of transfer of any Debenture, the Company, the Trustee, any paying agent and any Debenture Registrar may deem and treat the person in whose name such Debenture shall be registered in the Debenture Register as the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notice of ownership or writing thereon made by anyone other than the Debenture Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and (subject to Section 2.03) interest on such Debenture and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

Section 8.04. Debentures Owned by the Company or Controlled or Controlling Companies Disregarded for Certain Purposes. In determining whether the holders of the requisite aggregate principal amount of Debentures of a particular series have concurred in any direction, consent or waiver under this Indenture, Debentures of that series which are owned by the Company or any other obligor on the Debentures of that series or by any Subsidiary of the Company or of such other obligor on the Debentures of that series shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Debentures of such series which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debentures and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 8.05. Instruments Executed by Debentureholders Bind Future Holders. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the holders of the majority or percentage in aggregate principal amount of the Debentures of a particular series specified in this Indenture in connection with such action, any holder of a Debenture of that series which is shown by the evidence to be included in the Debentures the holders of which have consented to such action may, by filing written notice with the Trustee, and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Debenture. Except as aforesaid any such action taken by the holder of any Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of such Debenture, and of any Debenture issued in exchange therefor, on registration of transfer thereof or in place thereof, irrespective of whether or not any notation in regard thereto is made upon such Debenture. Any

action taken by the holders of the majority or percentage in aggregate principal amount of the Debentures of a particular series specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Debentures of that series.

ARTICLE 9  
SUPPLEMENTAL INDENTURES

Section 9.01. Purposes for Which Supplemental Indenture May Be Entered Into Without Consent of Debentureholders. In addition to any supplemental indenture otherwise authorized by this Indenture, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as then in effect), without the consent of the Debentureholders, for one or more of the following purposes:

(a) to evidence the succession of another corporation or other entity to the Company, and the assumption by any such successor of the obligations of the Company contained herein or otherwise established with respect to the Debentures;

(b) to add further covenants, restrictions, conditions or provisions for the protection of the holders of the Debentures of all or any series as the Board of Directors and the Trustee shall consider to be for the protection of the holders of Debentures of all or any series, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default with respect to such series permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default or may limit the right of the holders of a majority in aggregate principal amount of the Debentures of such series to waive such default;

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture or to make such other provisions in regard to matters or questions arising under this Indenture as shall not be inconsistent with the provisions of this Indenture and shall not materially adversely affect the interests of the holders of the Debentures of any series;

(d) to add to, change or eliminate any of the provisions of this Indenture, provided that any such addition, change or elimination shall become effective only when there is no Debenture outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;

(e) to provide for the issuance under this Indenture of Debentures in coupon form (including Debentures registrable as to principal only) and to provide for exchangeability of such Debentures with the Debentures issued hereunder in fully registered form and to make all appropriate changes for such purposes;

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Debentures;

(g) to qualify or maintain qualification of this Indenture under the Trust Indenture Act;

(h) to establish the form or terms of Debentures of any series as permitted by Section 2.01; or

(i) to make any addition, change or elimination of any provision of this Indenture that does not adversely affect the rights of any Debentureholder in any material respect.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed by the Company and the Trustee without the consent of the holders of any of the Debentures at the time outstanding, notwithstanding any of the provisions of Section 9.02.

Section 9.02. Modification of Indenture with Consent of Debentureholders. With the consent (evidenced as provided in Section 8.01) of the holders of not less than a majority in aggregate principal amount of the Debentures of each series affected by such supplemental indenture or indentures at the time outstanding (and, in the case of any series of Debentures held as trust assets of a Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust), the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as then in effect) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any

supplemental indenture or of modifying in any manner the rights of the holders of the Debentures of such series under this Indenture; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Debenture (and, in the case of any series of Debentures held as trust assets of a Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of the holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust) then outstanding and affected thereby.

Upon the request of the Company, and upon the filing with the Trustee of evidence of the consent of Debentureholders (and, in the case of any series of Debentures held as trust assets of a Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such Trust as may be required under the Declaration of Trust of such Trust) required to consent thereto as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the Debentureholders of any series affected thereby under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, setting forth in general terms the substance of such supplemental indenture, to the Debentureholders of all series affected thereby as their names and addresses appear upon the Debenture Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.03. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions of this Article or of Section 10.01, this Indenture shall, with respect to such series, be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debentures of the series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04. Debentures May Bear Notation of Changes By Supplemental Indentures. Debentures of any series, affected by a supplemental indenture, authenticated and delivered after the execution of such supplemental indenture pursuant to the provisions of this Article or of Section 10.01, may bear a notation in form approved by the Company, provided such form meets the requirements of any exchange upon which such series may be listed or traded, as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures of that series so modified as to conform, in the opinion of the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Debentures of that series then outstanding.

Section 9.05. Opinion of Counsel. The Trustee, subject to the provisions of Sections 7.01 and 7.02, may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 9.

ARTICLE 10  
CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 10.01. Company May Consolidate, etc. on Certain Terms. The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any other Person, and the Company shall not permit any other Person to consolidate with or merge into the Company, unless:

(a) either the Company shall be the continuing corporation, or the corporation (if other than the Company) formed by such consolidation or into which the Company is merged or to which the properties and assets of the Company substantially as an entity are transferred or leased shall be a corporation, limited liability company, partnership or trust organized and existing under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Debentures and this Indenture; and

(b) immediately after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

Section 10.02. Successor Corporation Substituted. The successor corporation formed by such consolidation or into which the Company is merged or to which such transfer or lease is made shall succeed to and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter (except in the case of a lease to another Person) the predecessor

corporation shall be relieved of all obligations and covenants under the Indenture and the Debentures and, in the event of such conveyance, or transfer, any such predecessor corporation may be dissolved and liquidated.

Section 10.03. Opinion of Counsel. The Trustee, subject to the provisions of Sections 7.01 and 7.02, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or other disposition, and any such assumption, comply with the provisions of this Article.

ARTICLE 11  
SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

Section 11.01. Satisfaction and Discharge of Indenture. (A) If at any time (a) the Company shall have paid or caused to be paid the principal of, premium, if any, and interest on all the Debentures of any series Outstanding hereunder (other than Debentures of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07) as and when the same shall have become due and payable, or (b) the Company shall have delivered to the Trustee for cancellation all Debentures of any series theretofore authenticated (other than any Debentures of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.07) or (c) (i) all the Debentures of any series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or by their terms will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (ii) the Company shall have irrevocably deposited or caused to be deposited with the Trustee as trust funds the entire amount in cash (other than moneys repaid by the Trustee or any paying agent to the Company in accordance with Section 11.04) or Government Obligations, maturing as to principal and interest at such times and in such amounts as will insure the availability of cash, or a combination thereof, sufficient in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal of, premium, if any, and interest on all Debentures of such series on each date that such principal or interest is due and payable and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Debentures of such series; and if, in any such case, the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Debentures of such series and the Company's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed lost or stolen Debentures, (iii) rights of holders of Debentures to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration), and remaining rights of the Debentureholders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) the rights of the holders of Debentures of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (vi) the obligations of the Company under Section 4.02)

and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture; provided, that the rights of the Debentureholders to receive amounts in respect of principal of, premium, if any, and interest on the Debentures held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange or automated quotation system upon which the Debentures are listed or traded. The Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Debentures of such series.

(B) The following provisions shall apply to the Debentures of each series unless specifically otherwise provided in a Board Resolution or indenture supplemental hereto provided pursuant to Section 2.01. In addition to discharge of the Indenture pursuant to the next preceding paragraph, the Company shall be deemed to have paid and discharged the entire indebtedness on all the Debentures of a series on the date of the deposit referred to in subparagraph (a) below, and the provisions of this Indenture with respect to the Debentures of such series shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Debentures of such series and the Company's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Debentures, (iii) rights of holders of Debentures to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration), and remaining rights of the holders of Debentures to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) the rights of the Holders of Debentures as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (vi) the obligations of the Company under Section 4.02) and the Trustee, at the expense of the Company, shall at the Company's request, execute proper instruments acknowledging the same, if

(a) with reference to this provision the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the Debentures of such series (i) cash in an amount, or (ii) Governmental Obligations maturing as to principal and interest at such times and in such amounts as will insure the availability of cash or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal of, premium, if any, and interest on all Debentures of such series on each date that such principal or interest is due and payable and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Debentures of such series;

(b) such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound;

(c) the Company has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y) since the date hereof, there has been a change in the applicable Federal income tax law, in either case to the effect that, and such opinion shall confirm that, the holders of the Debentures of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred;

(d) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this provision have been complied with; and

(e) no event or condition shall exist that, pursuant to the provisions of Section 14.02 or 14.03, would prevent the Company from making payments of the principal of, premium, if any, or interest on the Debentures of such series on the date of such deposit.

Section 11.02. Application by Trustee of Funds Deposited For Payment of Debentures. Subject to Section 11.04, all moneys deposited with the Trustee (or other trustee) pursuant to Section 11.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company acting as its own paying agent), to the Holders of the particular Debentures of such series for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law.

Section 11.03. Repayment of Moneys Held by the Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to Debentures of any series, all moneys then held by any paying agent under the provisions of this Indenture with respect to such series of Debentures shall, upon demand of the Company, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 11.04. Repayment of Moneys Held by the Trustee. Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Debenture of any series and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, upon the written request of the Company and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Company by the Trustee for such series or

such paying agent, and a holder of the Debentures of such series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Company for any payment which such holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease; provided, however, that the Trustee or such paying agent, before being required to make any such repayment with respect to moneys deposited with it for any payment series, shall at the expense of the Company, mail by first-class mail to holders of such Debentures at their addresses as they shall appear on the Debenture Register, notice, that such moneys remain and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 11.05. Indemnification Relating to Governmental Obligations. The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the Governmental Obligations deposited pursuant to Section 11.01 or the principal or interest received in respect of such obligations.

#### ARTICLE 12

##### IMMUNITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS AND DIRECTORS

Section 12.01. Incorporators, Shareholders, Officers and Directors of Company Exempt From Individual Liability. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Debenture, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, officer or director, past, present or future as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, shareholders, officers or directors as such, of the Company or of any predecessor or successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, shareholder, officer or director as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Debentures.

ARTICLE 13  
MISCELLANEOUS PROVISIONS

Section 13.01. Successors and Assigns of Company Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

Section 13.02. Acts of Board, Committee or Officer of Successor Company Valid. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the corresponding board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Company.

Section 13.03. Surrender of Powers of the Company. The Company by instrument in writing executed by authority of two-thirds of its Board of Directors and delivered to the Trustee may surrender any of the powers reserved to the Company and thereupon such power so surrendered shall terminate both as to the Company and as to any successor corporation.

Section 13.04. Required Notices or Demands May be Served by Mail. Except as otherwise expressly provided herein, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Debentures to or on the Company may be given or served by being deposited first class postage prepaid in a post-office letterbox addressed (until another address is filed in writing by the Company with the Trustee), as follows: Reliant Energy, Incorporated, 1111 Louisiana, Houston, Texas 77002, Attention: Corporate Secretary. Any notice, election, request or demand by the Company or any Debentureholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the Corporate Trust Office of the Trustee.

Section 13.05. Indenture and Debentures to Be Construed in Accordance with Laws of the State of New York. This Indenture and each Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State (without regard to principles of conflicts of laws thereof).

Section 13.06. Officers' Certificate and Opinion of Counsel to be Furnished Upon Application or Demands by Company; Statements To Be Included In Each Certificate or Opinion With Respect to Compliance With Condition or Covenant.

(a) Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any

provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant in this Indenture (other than the certificate provided pursuant to Section 5.03(d) of this Indenture) shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 13.07. Payments Due on Sundays or Holidays. Except as provided pursuant to Section 2.01 pursuant to a Board Resolution, and as set forth in an Officers' Certificate, or established in one or more indentures supplemental to the Indenture, in any case where the date of maturity of interest or principal of any Debenture or the date of redemption of any Debenture shall not be a Business Day then payment of interest or principal (and premium, if any) may be made on the next succeeding Business Day, with the same force and effect as if made on the nominal date of maturity or redemption, and no interest shall accrue for the period after such nominal date.

Section 13.08. Provisions Required by Trust Indenture Act of 1939 to Control. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

Section 13.09. Indenture May Be Executed by its Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 13.10. Separability of Indenture Provisions. In case any one or more of the provisions contained in this Indenture or in the Debentures of any series shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of such Debentures, but this Indenture and such Debentures shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

Section 13.11. Assignment by Company to a Subsidiary or Affiliate. The Company will have the right at all times to assign any of its rights or obligations under this Indenture to a Subsidiary or an Affiliate; provided that, in the event of any such assignment, the Company will remain jointly and severally liable for all such obligations. Subject to the foregoing, this Indenture is binding upon and inures to the benefit of the parties thereto and their respective successors and assigns. This Indenture may not otherwise be assigned by the parties hereto (other than pursuant to Article 10).

Section 13.12. Holders of Preferred Securities as Third Party Beneficiaries of the Indenture; Holders of Preferred Securities May Institute Legal Proceedings Against the Company in Certain Cases. The Company acknowledges that, prior to a Security Exchange with respect to Debentures of any series held as trust assets of a Trust, if the Property Trustee of such Trust fails to enforce its rights under this Indenture as the holder of the Debentures of a series held as trust assets of such Trust, any holder of the Preferred Securities of such Trust may in accordance with the provisions of the Declaration of Trust of such Trust, to the fullest extent permitted by law, institute legal proceedings directly against the Company to enforce such Property Trustee's rights under this Indenture without first instituting any legal proceedings against such Property Trustee or any other Person; provided that, if an Event of Default has occurred and is continuing and such event is attributed to the failure of the Company to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a holder of Preferred Securities of such Trust may directly institute a proceeding for enforcement of payment to such holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Preferred Securities of such holder (a "Holder Direct Action") on or after the respective due date specified in the Debentures. In connection with such Holder Direct Action, the Company shall be subrogated to the rights of such holder of Preferred Securities to the extent of any payment made by the Company to such holders of Preferred Securities in such Holder Direct Action. Except as provided in the preceding sentences, the holders of Preferred Securities of such Trust shall not be able to exercise directly any other remedy available to the holders of the Debentures.

ARTICLE 14  
SUBORDINATION OF DEBENTURES

Section 14.01. Agreement to Subordinate. The Company covenants and agrees, and each Debentureholder issued hereunder by his acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this Article 14; and each person holding any Debenture, whether upon original issue or upon transfer, assignment or exchange thereof accepts and agrees to be bound by such provisions.

The payment by the Company of the principal of, premium, if any, and interest on all Debentures issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to all Senior Debt, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article 14 shall prevent the occurrence of any Default or Event of Default hereunder.

Section 14.02. Default on Senior Debt. In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Debt, or in the event that the maturity of any Senior Debt has been accelerated because of a default, then, in either case, no payment shall be made by the Company with respect to the

principal (including redemption payments) of or premium, if any, or interest on the Debentures until such default shall have been cured or waived in writing or shall have ceased to exist or such Senior Debt shall have been discharged or paid in full.

In the event of the acceleration of the maturity of the Debentures, then no payment shall be made by the Company with respect to the principal (including redemption payments) of or premium, if any, or interest on the Debentures until the holders of all Senior Debt outstanding at the time of such acceleration shall receive payment in full of such Senior Debt (including any amounts due upon acceleration).

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Debentureholder when such payment is prohibited by the preceding paragraphs of this Section 14.02, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear.

Section 14.03. Liquidation; Dissolution; Bankruptcy. Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any liquidation, dissolution, winding up, receivership, reorganization, assignment for the benefit of creditors, marshaling of assets and liabilities or any bankruptcy, insolvency or similar proceedings of the Company, all amounts due or to become due upon all Senior Debt shall first be paid in full, in cash or cash equivalents, or payment thereof provided for in accordance with its terms, before any payment is made on account of the principal of, premium, if any, or interest on the indebtedness evidenced by the Debentures, and upon any such liquidation, dissolution, winding up, receivership, reorganization, assignment, marshaling or proceeding, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Debentureholders or the Trustee under this Indenture would be entitled, except for the provisions of this Article 14, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Debentureholders or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Debt (pro rata to such holders on the basis of the respective amounts of Senior Debt held by such holders) or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Debt in full (including, without limitation, except to the extent, if any, prohibited by mandatory provisions of law, post-petition interest, in any such proceedings), after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt, before any payment or distribution is made to the holders of the indebtedness evidenced by the Debentures or to the Trustee under this Indenture.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee under this Indenture or the holders of the Debentures

before all Senior Debt is paid in full or provision is made for such payment in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Debt or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all Senior Debt remaining unpaid until all such Senior Debt shall have been paid in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Debt.

For purposes of this Article 14, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of arrangement, reorganization or readjustment, the payment of which is subordinated (at least to the extent provided in this Article 14 with respect to the Debentures) to the payment of all Senior Debt which may at the time be outstanding; provided, that (i) the Senior Debt is assumed by the new corporation, if any, resulting from any such arrangement, reorganization or readjustment, and (ii) the rights of the holders of the Senior Debt are not, without the consent of such holders, altered by such arrangement, reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided in Article 10 shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other Person shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article 10. Nothing in Section 14.02 or this Section 14.03 shall apply to claims of, or payments to, the Trustee under or pursuant to Article 7, except as provided therein. This Section shall be subject to the further provisions of Section 14.06.

Section 14.04. Subrogation of Debentures. Subject to the payment in full of all Senior Debt, the rights of the holders of the Debentures shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Debt until the principal of, premium, if any, and interest on the Debentures shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of any cash, property or securities to which the holders of the Debentures or the Trustee on their behalf would be entitled except for the provisions of this Article 14 and no payment over pursuant to the provisions of this Article 14 to the holders of Senior Debt by holders of the Debentures or the Trustee on their behalf shall, as between the Company, its creditors other than holders of Senior Debt and the holders of the Debentures, be deemed to be a payment by the Company to or on account of the Senior Debt; and no payments or distributions of cash, property or securities to or for the benefit of the Debentureholders pursuant to the subrogation provisions of this Article, which would otherwise have been paid to the holders of Senior Debt shall be deemed to be a payment by the Company to or for the account of the Debentures. It is understood that the provisions of this Article 14 are and are intended solely for the purpose of defining the relative rights

of the holders of the Debentures, on the one hand, and the holders of the Senior Debt, on the other hand.

Nothing contained in this Article 14 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Debt, and the holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Debentures the principal of, premium, if any, and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holders of the Debentures and creditors of the Company other than the holders of the Senior Debt, nor shall anything herein or therein prevent the holder of any Debenture or the Trustee on his behalf from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 14 of the holders of Senior Debt in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article 14, the Trustee, subject to the provisions of Article 7, and the holders of the Debentures shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such liquidation, dissolution, winding up, receivership, reorganization, assignment or marshaling proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the holders of the Debentures, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 14.

Section 14.05. Authorization by Debentureholders. Each holder of a Debenture by his acceptance thereof authorizes and directs the Trustee in his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 14 and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 14.06. Notice to Trustee. The Company shall give prompt written notice to the Trustee and to any paying agent of any fact known to the Company which would prohibit the making of any payment of moneys to or by the Trustee or any paying agent in respect of the Debentures pursuant to the provisions of this Article 14. Regardless of anything to the contrary contained in this Article 14 or elsewhere in this Indenture, the Trustee shall not be charged with knowledge of the existence of any Senior Debt or of any default or event of default with respect to any Senior Debt or of any other facts which would prohibit the making of any payment of moneys to or by the Trustee, unless and until the Trustee shall have received notice in writing at its principal Corporate Trust Office to that effect signed by an officer of the Company, or by a holder or agent of a holder of Senior Debt who shall have been certified by the Company or otherwise established to the reasonable satisfaction of the Trustee to be such holder or agent, or by the trustee under any indenture pursuant to which Senior Debt shall be outstanding, and, prior to the receipt of any such

written notice, the Trustee shall, subject to the provisions of Article 7, be entitled to assume that no such facts exist; provided, however, that if on a date at least three Business Days prior to the date upon which by the terms hereof any such moneys shall become payable for any purpose (including, without limitation, the payment of the principal of, or interest on any Debenture) the Trustee shall not have received with respect to such moneys the notice provided for in this Section 14.06, then, regardless of anything herein to the contrary, the Trustee shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

The Trustee shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Debt or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article 14, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 14, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 14.07. Trustee's Relation to Senior Debt. The Trustee and any agent of the Company or the Trustee shall be entitled to all the rights set forth in this Article 14 with respect to any Senior Debt which may at any time be held by it in its individual or any other capacity to the same extent as any other holder of Senior Debt and nothing in this Indenture shall deprive the Trustee or any such agent, of any of its rights as such holder. Nothing in this Article 14 shall apply to claims of, or payments to, the Trustee under or pursuant to Article 7.

With respect to the holders of Senior Debt, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 14, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and, subject to the provisions of Article 7, the Trustee shall not be liable to any holder of Senior Debt if it shall pay over or deliver to holders of Debentures, the Company or any other person moneys or assets to which any holder of Senior Debt shall be entitled by virtue of this Article 14 or otherwise.

Section 14.08. No Impairment to Subordination. No right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee or the Debentureholders, without incurring responsibility to the Debentureholders and without impairing or releasing the subordination provided in this Article 14 or the obligations hereunder of the holders of the Debentures to the holders of such Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Debt, or otherwise amend or supplement in any manner such Senior Debt or any instrument evidencing the same or any agreement under which such Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Debt; (iii) release any Person liable in any manner for the collection of such Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company, as the case may be, and any other Person.

Section 14.09. Article Applicable to Paying Agents. In case at any time any paying agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 14 shall in such case (unless the context otherwise requires) be construed as extending to and including such paying agent within its meaning as fully for all intents and purposes as if such paying agent were named in this Article 14 in addition to or in place of the Trustee.

Section 14.10. Trust Moneys Not Subordinated. Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Section 11.02 of this Indenture by the Trustee for the payment of principal of and interest on the Debentures shall not be subordinated to the prior payment of any Senior Debt or subject to the restrictions set forth in this Article 14, and none of the Debentureholders shall be obligated to pay over any such amount to the Company or any holder of Senior Debt or any other creditor of the Company.

The Bank of New York, a New York banking corporation, as Trustee, hereby accepts the trust in this Indenture declared and provided, upon the terms and conditions herein above set forth.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

HOUSTON INDUSTRIES INCORPORATED, d/b/a  
RELIANT ENERGY, INCORPORATED

By: /s/ REMO J. REALE

-----  
Name: Remo J. Reale  
Title: Assistant Vice President

THE BANK OF NEW YORK, AS TRUSTEE

By: /s/ REMO J. REALE

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Name: Remo J. Reale  
Title: Assitant Vice President

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RELIANT ENERGY, INCORPORATED

AND

THE BANK OF NEW YORK,

as Trustee

\_\_\_\_\_  
SUPPLEMENTAL INDENTURE NO. 1

Dated as of February 15, 1999

TO

JUNIOR SUBORDINATED INDENTURE

Dated as of February 15, 1999  
\_\_\_\_\_

7.20% Junior Subordinated Debentures Due 2048

\$386,598,000

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SUPPLEMENTAL INDENTURE NO. 1, dated as of the fifteenth day of February, 1999, between Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a corporation duly organized and existing under the laws of the State of Texas (the "Company"), and The Bank of New York, a New York banking corporation, as trustee (the "Trustee").

#### RECITALS

The Company has heretofore executed and delivered to the Trustee a Junior Subordinated Indenture, dated as of February 15, 1999 (the "Indenture"), providing for the issuance from time to time of one or more series of its unsecured junior subordinated debentures (the "Debentures").

Pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of Debentures to be designated as the 7.20% Junior Subordinated Debentures due 2048 (the "Series 7.20% Debentures"), the form and substance of such Series 7.20% Debentures and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this Supplemental Indenture No. 1.

The Company has caused REI Trust I ("REI Trust I") to be created as a statutory business trust under the Business Trust Act of the State of Delaware (12 Del. Code (S) 3801 et seq.) pursuant to a Declaration of Trust, dated as January 8, 1999 (as amended by an Amendment of the Declaration of Trust, dated as of February 15, 1999, the "Original Declaration"), and the filing of a Certificate of Trust with the Secretary of State of the State of Delaware on January 11, 1999.

The Original Declaration is to be amended and restated in its entirety pursuant to an Amended and Restated Declaration of Trust dated as of February 26, 1999 (such Amended and Restated Declaration of Trust, as amended from time to time, the "Declaration of Trust").

REI Trust I desires to issue its 7.20% Trust Originated Preferred Securities, Series C (the "Preferred Securities") and sell such Preferred Securities to the underwriters set forth in that certain Underwriting Agreement dated February 23, 1999 by and among the Company, REI Trust I and the underwriters named therein.

In connection with such purchases of Preferred Securities and the related purchase by the Company of the Common Securities (as defined in the Declaration of Trust) of REI Trust I, REI Trust I will purchase and hold as trust assets the Series 7.20% Debentures.

Pursuant to the Declaration of Trust, the legal title to the Series 7.20% Debentures shall be owned and held of record in the name of The Bank of New York or its successor under the Declaration of Trust, as Property Trustee (the "Property Trustee"), in trust for the benefit of holders of the Preferred Securities and the Common Securities.

Upon written direction of the Company or any subsequent holder of the Common Securities, the Regular Trustees (as defined in the Declaration of Trust) of REI Trust I shall, unless the Series 7.20% Debentures are redeemed as described herein, dissolve REI Trust I and cause to be distributed to the holders of the Preferred Securities and the Common Securities, on a Pro Rata basis (determined as provided in the terms of the Preferred Securities and Common Securities attached as Exhibits B and C to the Declaration of Trust), Series 7.20% Debentures and, in connection with a Liquidation Distribution (as defined in the Declaration of Trust), the Regular Trustees may cause to be distributed to holders of Preferred Securities and Common Securities, on a Pro Rata basis, Series 7.20% Debentures (each a "Dissolution Event").

Section 2.01 of the Indenture provides that various matters with respect to any series of Debentures issued under the Indenture may be established in an indenture supplemental to the Indenture.

Subparagraph (h) of Section 9.01 of the Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Indenture to establish the form or terms of Debentures of any series as permitted by Section 2.01 of the Indenture.

For and in consideration of the premises and the issuance of the series of Debentures provided for herein, it is mutually covenanted and agreed, for the equal and proportionate benefit of the holders of the Debentures of such series, as follows:

#### ARTICLE ONE

##### Relation to Indenture; Additional Definitions

SECTION 1.01. Relation to Indenture. This Supplemental Indenture No. 1 constitutes an integral part of the Indenture.

SECTION 1.02. Additional Definitions. For all purposes of this Supplemental Indenture No. 1:

(1) Capitalized terms used herein shall have the meanings specified herein or in the Indenture, as the case may be;

(2) "Additional Interest" has the meaning set forth in Section 2.05(d) hereof;

(3) "Change in Investment Company Act Law" has the meaning set forth in the definition of Investment Company Event;

(4) "Common Securities" has the meaning set forth in the Recitals herein;

(5) "Compounded Interest" has the meaning set forth in Section 2.05(a) hereof;

- (6) "Debentures" has the meaning set forth in the Recitals herein;
- (7) "Declaration of Trust" has the meaning set forth in the Recitals herein;
- (8) "Dissolution Event" has the meaning set forth in the Recitals herein;
- (9) "Extended Interest Payment Period" has the meaning set forth in Section 4.01(a) hereof;
- (10) "Guarantee Payments" has the meaning set forth in Section 5.01 hereof;
- (11) "Indenture" has the meaning set forth in the Recitals herein;
- (12) "Interest Payment Date" has the meaning set forth in Section 2.05(a) hereof;
- (13) "Investment Company Act" means the Investment Company Act of 1940, as amended;
- (14) "Investment Company Event" means that the Company and the Regular Trustees shall have received an opinion of counsel, who may be counsel for REI Trust I, the Trustee or the Company, who may be an employee of the Company but not an employee of REI Trust I or the Trustee, and who shall be reasonably acceptable to the Trustee, experienced in practice under the Investment Company Act that as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in Investment Company Act Law"), there is more than an insubstantial risk that REI Trust I is or will be considered an "investment company" which is required to be registered under the Investment Company Act, which Change in Investment Company Act Law becomes effective on or after February 23, 1999;
- (15) "Liquidation Distribution" has the meaning set forth in the Recitals herein;
- (16) "Maturity Date" has the meaning set forth in Section 2.03 hereof;
- (17) "Non Book-Entry Preferred Securities" has the meaning set forth in Section 2.04(b)(ii) hereof;
- (18) "Optional Redemption Price" has the meaning set forth in Section 3.01(a) hereof;
- (19) "Original Declaration" has the meaning set forth in the Recitals herein;
- (20) "Preferred Securities" has the meaning set forth in the Recitals herein;

(21) "Preferred Securities Guarantee" means the Guarantee Agreement, dated as of February 26, 1999, between the Company and The Bank of New York as the initial Guarantee Trustee thereunder, in respect of the Preferred Securities;

(22) "Property Account" has the meaning set forth in Section 2.04(a) hereof;

(23) "Property Trustee" has the meaning set forth in the Recitals herein;

(24) "Regular Trustees" has the meaning set forth in the Recitals herein;

(25) "REI Trust I" has the meaning set forth in the Recitals herein;

(26) "Series 7.20% Debentures" has the meaning set forth in the Recitals herein and Section 2.01 hereof;

(27) "Special Event" means either a Tax Event or an Investment Company Event;

(28) "Tax Event" means that the Company and the Regular Trustees shall have received an opinion of counsel, who may be counsel for REI Trust I, the Trustee or the Company, who may be an employee of the Company but not an employee of REI Trust I or the Trustee, and who shall be reasonably acceptable to the Trustee, experienced in such matters to the effect that on or after February 23, 1999 as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement by any legislative body, court, governmental agency or regulatory authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after February 23, 1999, there is more than an insubstantial risk that (i) REI Trust I is, or will be within 90 days of the date thereof, subject to federal income tax with respect to income accrued or received on the Series 7.20% Debentures, (ii) REI Trust I is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by the Company to REI Trust I on the Series 7.20% Debentures is not, or within 90 days of the date thereof will not be, deductible by the Company for federal income tax purposes;

(29) All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture No. 1; and

(30) The terms "herein," "hereof," "hereunder" and other words of similar import refer to this Supplemental Indenture No. 1.

## ARTICLE TWO

### General Terms and Conditions of the Series 7.20% Debentures

SECTION 2.01. Title of Debentures. There shall be and is hereby authorized a series of Debentures designated as the "7.20% Junior Subordinated Debentures due 2048" (the "Series 7.20% Debentures").

SECTION 2.02. Limitation on Aggregate Principal Amount. The aggregate principal amount of the Series 7.20% Debentures shall be limited to \$386,598,000; provided, however, that the authorized aggregate principal amount of the Series 7.20% Debentures may be increased above such amount by a Board Resolution to such effect. Each Series 7.20% Debenture shall be dated the date of its authentication.

SECTION 2.03. Maturity Date. The Series 7.20% Debentures shall mature and the principal amount thereof shall be due and payable together with all accrued and unpaid interest thereon, including Additional Interest and Compounded Interest, if any, on March 31, 2048 (the "Maturity Date"); provided, if a Tax Event occurs, then the Company will have the right (a) prior to the dissolution of REI Trust I, to shorten the Maturity Date of the Series 7.20% Debentures, to the minimum extent required, but not earlier than September 30, 2018, or (b) to direct the Property Trustee to dissolve REI Trust I (if not previously dissolved) and shorten the Maturity Date of the Series 7.20% Debentures, to the minimum extent required, but not earlier than September 30, 2018, in each case such that in the opinion of counsel to the Company, who may be an employee of the Company, experienced in such matters, after shortening the Maturity Date, interest paid on the Series 7.20% Debentures will be deductible for federal income tax purposes.

SECTION 2.04. Place of Payment, Registration or Exchange.

(a) Except as provided in Section 2.04(b), the Series 7.20% Debentures shall be issued in fully registered certificated form without interest coupons in denominations of \$25 or integral multiples thereof. Principal and interest on the Series 7.20% Debentures issued in certificated form will be payable, the transfer of such Series 7.20% Debentures will be registrable and such Series 7.20% Debentures will be exchangeable for Series 7.20% Debentures bearing identical terms and provisions at the Corporate Trust Office of the Trustee; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holders at such addresses as shall appear in the Debenture Register and that the payment of principal with respect to the Series 7.20% Debentures will only be made upon surrender of the Series 7.20% Debentures to the Trustee. Notwithstanding the foregoing, so long as the Property Trustee is the legal owner and record holder of the Series 7.20% Debentures, the payment of the principal of and interest

(including Additional Interest and Compounded Interest, if any) on the Series 7.20% Debentures held by the Property Trustee will be made by the Company in immediately available funds on the payment date therefor at such place and to the Property Account (as defined in the Declaration of Trust) established and maintained by the Property Trustee pursuant to the Declaration of Trust.

(b) In connection with a Dissolution Event:

(i) Series 7.20% Debentures in certificated form may be presented to the Trustee by the Property Trustee in exchange for one or more Global Debentures representing the Series 7.20% Debentures in an aggregate principal amount equal to all Outstanding Series 7.20% Debentures, to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Regular Trustees. The Company upon any such presentation shall execute one or more Global Debentures representing the Series 7.20% Debentures in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with the Indenture and this Supplemental Indenture No. 1. Payments on the Series 7.20% Debentures issued as a Global Debenture will be made to the Depository; and

(ii) if any Preferred Securities are held in non book-entry certificated form, Series 7.20% Debentures in certificated form may be presented to the Trustee by the Property Trustee and any Definitive Preferred Security Certificate (as defined in the Declaration of Trust) which represents Preferred Securities other than Preferred Securities held by the Clearing Agency (as defined in the Declaration of Trust) or its nominee ("Non Book-Entry Preferred Securities") will be deemed to represent beneficial interests in Series 7.20% Debentures presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Preferred Securities until such Definitive Preferred Security Certificate is presented to the Debenture Registrar for transfer or reissuance at which time such Preferred Security Certificate will be canceled and a Series 7.20% Debenture, registered in the name of the holder of the Preferred Security Certificate or the transferee of the holder of such Preferred Security Certificate, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Definitive Preferred Security Certificate canceled will be executed by the Company and delivered to the Trustee for authentication and delivery in accordance with the Indenture and this Supplemental Indenture No. 1. Upon issuance of such Series 7.20% Debentures, Series 7.20% Debentures with an equivalent aggregate amount that were presented by the Property Trustee to the Trustee will be deemed to have been canceled.

SECTION 2.05. Interest and Interest Rates.

(a) Each Series 7.20% Debenture will bear interest at the rate of 7.20% per annum from February 26, 1999 until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum (7.20%), compounded quarterly ("Compounded Interest"), payable (subject to the provisions of Article Four) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each an "Interest Payment Date"), commencing on June 30, 1999, to the person in whose name such Series 7.20% Debenture or any predecessor Series 7.20% Debenture is registered, at the close of business on the regular record date for such interest installment, which, except as set forth below, shall be, in respect of any Series 7.20% Debentures of which the Property Trustee is the registered holder or a Global Debenture, the close of business on the Business Day next preceding that Interest Payment Date. Notwithstanding the foregoing sentence, if the Preferred Securities are no longer in book-entry only form or if pursuant to the provisions of Section 2.11(c) of the Indenture the Series 7.20% Debentures are not represented by a Global Debenture, the regular record dates for such interest installment shall be the close of business on the fifteenth day of the month in which that Interest Payment Date occurs.

(b) Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and shall instead be paid to the person in whose name the Series 7.20% Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Series 7.20% Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange or quotation system on which the Series 7.20% Debentures may be listed or traded, and upon such notice as may be required by such exchange or quotation system, all as more fully provided in Section 2.03 of the Indenture.

(c) The amount of interest payable for any full quarterly interest period will be computed on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly interest period for which interest is computed, interest shall be computed on the basis of the actual number of days elapsed per 90-day quarter. In the event that any date on which interest is payable on the Series 7.20% Debentures is not a Business Day, then payment of interest payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable.

(d) If at any time REI Trust I shall be required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States of America or any other taxing authority, then, in any such case, the Company shall pay as additional interest ("Additional Interest") on the Series 7.20% Debentures such additional amounts as shall be required so that the net amounts received and retained by REI Trust I after paying any such taxes, duties, assessments or other governmental charges shall be equal to the amounts REI Trust I would have received had no such taxes, duties, assessments or other governmental charges been imposed.

SECTION 2.06. Denomination of Debentures. The Series 7.20% Debentures shall be in registered form without coupons and shall be issuable in denominations of \$25 and integral multiples thereof.

SECTION 2.07. Currency. Payment of principal and interest on the Series 7.20% Debentures shall be payable in U.S. dollars.

SECTION 2.08. Paying Agent. The Trustee shall initially serve as paying agent of the Series 7.20% Debentures.

SECTION 2.09. Sinking Fund Obligations. The Company has no obligation to redeem or purchase any Series 7.20% Debentures pursuant to any sinking fund or analogous provisions (including payments made in cash in anticipation of future sinking fund obligations) or at the option of a holder thereof.

### ARTICLE THREE

#### Optional Redemption of the Series 7.20% Debentures

SECTION 3.01. Optional Redemption on or after February 26, 2004.

(a) Except as provided in Section 3.02 hereof and subject to the provisions below, Series 7.20% Debentures shall not be redeemed by the Company prior to February 26, 2004. Subject to the terms of Article 3 of the Indenture, the Company shall have the right to redeem the Series 7.20% Debentures, without premium or penalty, in whole or in part, at any time from time to time on or after February 26, 2004, upon not less than 30 nor more than 60 days' notice to each holder of the Series 7.20% Debentures, at a redemption price of 100% of the principal amount of the Series 7.20% Debentures, together with any accrued and unpaid interest thereon, including Compounded Interest and Additional Interest, if any, to, but excluding, the date of such redemption (the "Optional Redemption Price").

(b) If the Series 7.20% Debentures are redeemed on any Interest Payment Date, accrued and unpaid interest shall be payable to holders of record on the relevant record date.

(c) The Company shall not redeem any Series 7.20% Debentures unless all accrued and unpaid interest thereon, including Compounded Interest and Additional Interest, if any, has been paid for all quarterly interest periods terminating on or prior to the date of notice of redemption.

(d) If the Company gives a notice of redemption in respect of Series 7.20% Debentures (which notice will be irrevocable), then by 12:00 noon, New York City time, on the redemption date, the Company shall deposit irrevocably with the Trustee funds sufficient to pay the applicable Optional Redemption Price and shall give irrevocable instructions and authority to pay such Optional Redemption Price to the holders of the Series 7.20% Debentures. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the redemption date interest shall cease to accrue on the Series 7.20% Debentures called for redemption, such Series 7.20% Debentures shall no longer be deemed to be outstanding and all rights of holders of such Series 7.20% Debentures so called for redemption shall cease, except the right of the holders of such Series 7.20% Debentures to receive the Optional Redemption Price but without interest on such Optional Redemption Price.

(e) If any date fixed for redemption of any Series 7.20% Debentures is not a Business Day, then payment of the Optional Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If the Company fails to repay the Series 7.20% Debentures on maturity or the date fixed for redemption or if payment of the Optional Redemption Price in respect of the Series 7.20% Debentures is improperly withheld or refused and not paid by the Company, interest on such Series 7.20% Debentures shall continue to accrue from the original redemption date to the date of payment, in which case the actual payment date shall be considered the date fixed for redemption for purposes of calculating the Optional Redemption Price.

(f) In the event of any redemption in part, the Company shall not be required to (i) issue, register the transfer of or exchange any Series 7.20% Debentures during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Series 7.20% Debentures and ending at the close of business on the date of such mailing and (ii) register the transfer of or exchange any Series 7.20% Debentures so selected for redemption, in whole or in part, except the unredeemed portion of any Series 7.20% Debentures being redeemed in part.

SECTION 3.02. Optional Redemption upon the Occurrence of a Special Event. If a Special Event shall occur and be continuing, the Company shall have the right at any time to redeem the Series 7.20% Debentures in whole, but not in part, for cash at the Optional Redemption Price within 90 days following the occurrence of such Special Event.

SECTION 3.03. Partial Redemption. If the Series 7.20% Debentures are only partially redeemed pursuant to this Article Three, the Series 7.20% Debentures will be redeemed pro rata or by lot or by any other method utilized by the Trustee. Notwithstanding the foregoing, if a partial redemption of the Series 7.20% Debentures would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed or traded, the Company shall not be permitted to effect such partial redemption and will only redeem the Series 7.20% Debentures in whole.

#### ARTICLE FOUR

##### Extension of Interest Payment Period

###### SECTION 4.01. Option to Extend Interest Payment Period.

(a) So long as the Company is not in default in the payment of interest on the Series 7.20% Debentures, the Company shall have the right to defer payments of interest on the Series 7.20% Debentures by extending the interest payment period of the Series 7.20% Debentures at any time from time to time for up to 20 consecutive quarterly interest periods (each such period an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest accrued and unpaid thereon (together with Compounded Interest and Additional Interest, if any); provided that no Extended Interest Payment Period may extend beyond the Maturity Date or redemption date of the Series 7.20% Debentures.

(b) During any Extended Interest Payment Period, the Company shall not (i) declare or pay any dividend on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its capital stock, other than:

(A) dividends or distributions in shares of, or options, warrants, rights to subscribe for or purchase shares of, the Company's common stock;

(B) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;

(C) as a result of a reclassification of the Company's capital stock or the exchange or the conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock;

(D) the payment of accrued dividends and the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or

(E) purchases of the Company's common stock related to the issuance of the Company's common stock or rights under any of the Company's benefit plans for its directors, officers, employees, any of the Company's dividend reinvestment plans or stock purchase plans, or any of the benefit plans of any of the Company's Affiliates for such Affiliates' directors, officers or employees;

(ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that, ranks pari passu with or junior in interest to the Series 7.20% Debentures; or (iii) make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company (other than the Preferred Securities Guarantee) if such guarantee ranks pari passu with or junior in interest to the Series 7.20% Debentures.

(c) Prior to the termination of any Extended Interest Payment Period, the Company may pay all or any portion of the interest accrued on the Series 7.20% Debentures on any Interest Payment Date to holders of record on the regular record date for such Interest Payment Date or from time to time further extend such Extended Interest Payment Period; provided that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extended Interest Payment Period and the payment of all accrued and unpaid interest, including any Additional Interest and Compounded Interest, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof. On the Interest Payment Date occurring at the end of the Extended Interest Payment Period, the Company shall pay all accrued and unpaid interest on the Series 7.20% Debentures, including any Additional Interest and Compounded Interest, to the holders of the Series 7.20% Debentures in whose names the Series 7.20% Debentures are registered in the Debenture Register (regardless of who the holders of record may have been on other dates during the Extended Interest Payment Period) on the record date for such Interest Payment Date.

#### SECTION 4.02. Notice of Extension of Interest Payment Period.

(a) So long as the Property Trustee is the legal owner and sole holder of record of the Series 7.20% Debentures, at the time the Company elects to begin an Extended Interest Payment Period, the Company shall give both the Property Trustee and the Trustee notice of its election to begin such Extended Interest Payment Period one Business Day prior to the earlier of (i) the next succeeding date on which Distributions (as defined in the Declaration of Trust) on the Preferred Securities are payable or (ii) the date REI Trust I is required to give notice of the record date or the date such Distributions are payable to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Preferred Securities, but in any event not less than one Business Day prior to such record date.

(b) If as a result of a Dissolution Event Series 7.20% Debentures have been distributed to holders of Trust Securities, the Company shall give the holders of the Series 7.20% Debentures and the Trustee notice of its election to begin an Extended Interest Payment Period at least 10 Business Days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) the date the Company is required to give notice of the record or payment date of such related interest payment to the New York Stock Exchange (if the Series 7.20% Debentures are then listed thereon) or other applicable self-regulatory organization or to holders of the Series 7.20% Debentures.

(c) The quarter in which any notice is given pursuant to Section 4.02 shall be counted as one of the quarters permitted in the maximum Extended Interest Payment Period permitted under this Article Four.

#### ARTICLE FIVE

##### Covenants Applicable to the Series 7.20% Debentures

SECTION 5.01. Prohibited Actions while Preferred Securities are Outstanding. So long as any Preferred Securities issued by REI Trust I remain outstanding, the Company shall not (i) declare or pay any dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its capital stock (other than (a) dividends or distributions in shares of, or options, warrants, rights to subscribe for or purchase shares of, common stock of the Company, (b) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, (c) as a result of a reclassification of the Company's capital stock or the exchange or the conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (d) the payment of accrued dividends and the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, or (e) purchases of the Company's common stock related to the issuance of the Company's common stock or rights under any of the Company's benefit plans for its directors, officers, employees, any of the Company's dividend reinvestment plans or stock purchase plans, or any of the benefit plans of any of the Company's Affiliates for such Affiliates' directors, officers or employees), (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that, ranks pari passu with or junior in interest to the Series 7.20% Debentures or (iii) make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company (other than pursuant to the Preferred Securities Guarantee) if such guarantee ranks pari passu with or junior in interest to the Series 7.20% Debentures, if at such time (x) the Company shall be in default with respect to its Guarantee Payments (as defined in the Preferred Securities Guarantee) or other payment obligations under the Preferred Securities Guarantee, (y) there shall have occurred any Event of Default with respect to the Series 7.20% Debentures or (z) the Company shall have given notice of its election to defer payments of interest on the Series

7.20% Debentures by extending the interest payment period in accordance with Article Four hereof.

SECTION 5.02. Listing on the NYSE. In connection with the distribution of the Series 7.20% Debentures to the holders of the Preferred Securities upon a Dissolution Event, the Company will use its best efforts to list such Series 7.20% Debentures on the New York Stock Exchange or on such other exchange or quotation system as the Preferred Securities are then listed and traded.

SECTION 5.03. Compliance With the Declaration of Trust. The Company covenants and agrees for the benefit of the holders of the Preferred Securities to comply fully with all of its obligations and agreements under the Declaration of Trust, including, without limitation, its obligations under Article 4 thereof.

SECTION 5.04. Covenants with respect to REI Trust I. Prior to the distribution of Series 7.20% Debentures to the holders of Preferred Securities upon a Dissolution Event, the Company covenants and agrees for the benefit of the holders of the Preferred Securities (i) to remain the sole direct or indirect owner of all of the outstanding Common Securities and not to cause or permit the Common Securities to be transferred except as permitted by the Declaration of Trust, provided that any permitted successor of the Company under the Indenture may succeed to the Company's ownership of the Common Securities, and (ii) use reasonable efforts to cause REI Trust I to continue to be treated as a grantor trust for United States federal income tax purposes, except in connection with a Dissolution Event.

#### ARTICLE SIX

##### Form of Series 7.20% Debentures

SECTION 6.01. The Series 7.20% Debentures and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following forms:

##### (FORM OF FACE OF DEBENTURE)

[IF THE NOTE IS TO BE A GLOBAL DEBENTURE, INSERT - This Debenture is a Global Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Debenture is exchangeable for Debentures registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Debenture (other than a transfer of this Debenture as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in limited circumstances.

Unless this Debenture is presented by an authorized representative to The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for

registration of transfer, exchange or payment, and any Debenture issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

No. §

[CUSIP NO. \_\_\_\_\_]

RELIANT ENERGY, INCORPORATED

7.20% JUNIOR SUBORDINATED DEBENTURE DUE 2048

HOUSTON INDUSTRIES INCORPORATED, D/B/A RELIANT ENERGY, INCORPORATED, a corporation duly organized and existing under the laws of the State of Texas (herein referred to as the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars on March 31, 2048, provided, if a Tax Event occurs, then the Company will have the right (a) prior to the dissolution of REI Trust I, to shorten the Maturity Date of this series of Debentures to the minimum extent required, but not earlier than September 30, 2018, or (b) to direct the Property Trustee to dissolve REI Trust I (if not previously dissolved) and shorten the Maturity Date of this series of Debentures to the minimum extent required, but not earlier than September 30, 2018, in each case such that in the opinion of counsel to the Company, experienced in such matters, after shortening the Maturity Date, interest paid on this series of Debentures will be deductible for federal income tax purposes, and to pay interest on said principal sum from February 26, 1999 or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 1999 at the rate of 7.20% per annum plus Additional Interest and Compounded Interest, if any, until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any.

So long as the Company is not in default in the payment of interest on this series of Debentures, the Company shall have the right to defer payments of interest on this series of Debentures by extending the interest payment period of this series of Debentures at any time from time to time for up to 20 consecutive quarterly interest periods (each such period an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest accrued and unpaid thereon (together with Compounded Interest and Additional Interest, if any); provided that no Extended Interest Payment Period may extend beyond the Maturity Date or redemption date of this series of Debentures. Prior to the termination of any Extended Interest Payment Period, the Company may pay all or any portion of the interest

accrued on this series of Debentures on any Interest Payment Date to holders of record on the regular record date for such Interest Payment Date or prepay at any time all or any portion of the interest accrued during an Extentsion Period or from time to time further extend such Extended Interest Payment Period; provided that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarterly interest periods or extend beyond the Maturity Date or redemption date of this series of Debentures. Upon the termination of any Extended Interest Payment Period and the payment of all accrued and unpaid interest, including any Additional Interest and Compounded Interest, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof. On the Interest Payment Date occurring at the end of the Extended Interest Payment Period, the Company shall pay all accrued and unpaid interest on this series of Debentures, including any Additional Interest and Compounded Interest, to the holders of this series of Debentures in whose names this series of Debentures are registered in the Debenture Register (regardless of who the holders of record may have been on other dates during the Extended Interest Payment Period) on the record date for such Interest Payment Date.

The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly interest period for which interest is computed, interest shall be computed on the basis of the actual number of days elapsed per 90-day quarter. In the event that any date on which interest is payable on this series of Debentures is not a Business Day, then payment of interest payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Debenture (or one or more Predecessor Debentures, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, [IF REI TRUST I OR ITS PROPERTY TRUSTEE IS THE HOLDER OF RECORD OF THIS DEBENTURE -- which shall be the close of business on the Business Day next preceding such Interest Payment Date, provided if the Preferred Securities of REI Trust I are no longer in book-entry only form, the regular record dates shall be the close of business on the fifteenth (15th) day of the month in which such Interest Payment Date occurs] [IF PURSUANT TO THE PROVISIONS OF SECTION 2.11(c) OF THE INDENTURE THIS series of Debentures IS NOT REPRESENTED BY A GLOBAL DEBENTURE -- which shall be the close of business on the fifteenth (15th) day of the month in which such Interest Payment Date occurs.] Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and shall instead be paid to the person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest,

notice whereof shall be given to the registered holders of this series of Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange or quotation system on which the Debentures of this series may be listed or traded, and upon such notice as may be required by such exchange or quotation system, all as more fully provided in Section 2.03 of the Indenture. The principal of and the interest on this Debenture shall be payable at the Corporate Trust Office of the Trustee, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such addresses as shall appear in the Debenture Register and that the payment of principal will only be made upon the surrender of this Debenture to the Trustee. Notwithstanding the foregoing, so long as the owner and record holder of this Debenture is the Property Trustee (as defined in the Indenture), the payment of the principal of and interest (including Additional Interest and Compounded Interest, if any) on this Debenture will be made by the Company in immediately available funds on the payment date therefor at such place and to the Property Account (as defined in the Indenture) established and maintained by the Property Trustee pursuant to the Declaration of Trust (as defined in the Indenture).

The indebtedness evidenced by this Debenture is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Debt (as defined in the Indenture), and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each holder hereof, by his acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Debt, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Debenture shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Debenture are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Instrument to be executed.

Dated: \_\_\_\_\_

HOUSTON INDUSTRIES INCORPORATED, d/b/a  
RELIANT ENERGY, INCORPORATED

By: \_\_\_\_\_

Name:  
Title:

Attest:

By: \_\_\_\_\_

Name:  
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Debentures of the series of Debentures described in the within-mentioned Indenture.

\_\_\_\_\_  
as Trustee

or

\_\_\_\_\_  
as Authentication Agent

By \_\_\_\_\_  
Authorized Signatory

By \_\_\_\_\_  
Authorized Signatory

(FORM OF REVERSE OF DEBENTURE)

This Debenture is one of a duly authorized series of Debentures of the Company (herein sometimes referred to as the "Debentures"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of February 15, 1999 duly executed and delivered between the Company and The Bank of New York, a New York banking corporation, as Trustee (herein referred to as the "Trustee"), as supplemented by the Supplemental Indenture No. 1 dated as of February 15, 1999 between the Company and the Trustee (said Indenture as so supplemented being hereinafter referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures, and, to the extent specifically set forth in the Indenture, the holders of Senior Debt and Preferred Securities. By the terms of the Indenture, the Debentures are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Debentures is designated the 7.20% Junior Subordinated Debentures due 2048 and is limited in aggregate principal amount as specified in said Supplemental Indenture No. 1.

Except as provided in the next paragraph, the Debentures of this series shall not be redeemed by the Company prior to February 26, 2004. The Company shall have the right to redeem this Debenture at the option of the Company, without premium or penalty, in whole or in part, at any time from time to time on or after February 26, 2004 (an "Optional Redemption"), upon not less than 30 nor more than 60 days' notice to the holders of the Debentures of this series, at the redemption price of 100% of the principal amount of the Debentures, together with any accrued but unpaid interest thereon, including Compounded Interest and Additional Interest, if any, to, but excluding, the date of such redemption (the "Optional Redemption Price").

If the Debentures of this series are redeemed on any Interest Payment Date, accrued and unpaid interest shall be payable to holders of record on the relevant record date.

The Company shall not redeem any Debentures of this series unless all accrued and unpaid interest thereon, including Compounded Interest and Additional Interest, if any, has been paid for all quarterly interest periods terminating on or prior to the date of notice of redemption.

If a Tax Event or an Investment Company Event (each, a "Special Event") shall occur or be continuing, the Company shall have the right at any time to redeem the Debentures of this series in whole, but not in part, for cash at the Optional Redemption Price within 90 days following the occurrence of such Special Event.

"Tax Event" means that the Company and the Regular Trustees shall have received an opinion of counsel experienced in such matters to the effect that on or after February 23, 1999 as a result of (a) any amendment to, or change (including any announced prospective

change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement by any legislative body, court, governmental agency or regulatory authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after February 23, 1999, there is more than an insubstantial risk that (i) REI Trust I is, or will be within 90 days of the date thereof, subject to federal income tax with respect to income accrued or received on the Debentures of this series, (ii) REI Trust I is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by the Company to REI Trust I on the Debentures of this series is not, or within 90 days of the date thereof will not be, deductible by the Company for federal income tax purposes;d

"Investment Company Event" means that the Company and the Regular Trustees shall have received an opinion of counsel experienced in practice under the Investment Company Act that as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in Investment Company Act Law"), there is more than an insubstantial risk that REI Trust I is or will be considered an "investment company" which is required to be registered under the Investment Company Act, which Change in Investment Company Act Law becomes effective on or after February 23, 1999.

If the Debentures of this series are only partially redeemed by the Company pursuant to an Optional Redemption, the Debentures shall be redeemed pro rata or by lot or in some other equitable manner determined by the Trustee; provided if, at the time of redemption, the Debentures of this series are registered as a Global Debenture, the Depository shall determine the principal amount of such Debentures of this series held by each holder of Debentures to be redeemed in accordance with its customary procedures. Notwithstanding the foregoing, if a partial redemption of the Debentures of this series would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed or traded, the Company shall not be permitted to effect such partial redemption and will only redeem the Debentures of this series in whole.

In the event of redemption of this Debenture in part only, a new Debenture or Debentures of this series for unredeemed portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debentures of this series may be declared, and upon such

declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Debenture upon compliance by the Company with certain conditions set forth therein.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Debentures of each series affected at the time outstanding, as defined in the Indenture (and, if this Debenture is held as a trust asset of REI Trust I, such consent of holders of the Preferred Securities and the Common Securities as may be required under the Declaration of Trust), to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debentures; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of the Debentures of this series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Debenture (and, if this Debenture is held as a trust asset of REI Trust I, such consent of the holders of the Preferred Securities and the Common Securities as may be required under the Declaration of Trust) then outstanding and affected thereby. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Debentures of a series at the time Outstanding affected thereby (subject, in the case of a Debenture held as a trust asset of REI Trust I and with respect to which a Securities Exchange has not theretofore occurred, to such consent of holders of Preferred Securities and Common Securities as may be required under the Declaration of Trust), on behalf of the holders of the Debentures of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Debentures of such series as and when the same shall become due by the terms of the Debentures of such series otherwise than by acceleration (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal and any premium has been deposited with the Trustee), or a call for redemption of the Debentures of such series. Any such consent or waiver by the registered holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

Subject to Section 13.11 of the Indenture, no reference herein to the Indenture (other than such Section) and no provision of this Debenture or of the Indenture shall alter or impair

the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the time and place at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Debenture is transferable by the registered holder hereof on the Debenture Register, upon surrender of this Debenture for registration of transfer at the Corporate Trust Office of the Trustee accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any paying agent and any Debenture Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Debenture Registrar) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, shareholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

[If certificated Debentures -- The Debentures of this series are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereto.] [If Global Debenture -- This Global Debenture is exchangeable for Debentures in definitive form under certain limited circumstances set forth in the Indenture. Debentures of this series so issued are issuable only in registered form without coupons in denominations of \$25 or any integral multiple thereof.] As provided in the Indenture and subject to certain limitations [If Global Debenture -- herein and] therein set forth, Debentures of this series [If Global Debenture -- so issued] are exchangeable for a like aggregate principal amount of Debentures of this series of a different authorized denomination, as requested by the holder surrendering the same.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Company and, by its acceptance of this Debenture or a beneficial interest therein, the holder of, and any Person that acquires a beneficial interest in, this Debenture agree that for United States federal, state and local tax purposes it is intended that this Debenture constitute indebtedness.

THE INDENTURE AND THIS DEBENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

ARTICLE SEVEN

Miscellaneous Provisions

SECTION 7.01. The Indenture, as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed. This Supplemental Indenture No. 1 shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SECTION 7.02. The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture No. 1.

SECTION 7.03. This Supplemental Indenture No. 1 may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 7.04. THIS SUPPLEMENTAL INDENTURE NO. 1 AND EACH SERIES 7.20% DEBENTURE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 1 to be duly executed, and their respective corporate seals to be hereunto affixed and attested, on the date or dates indicated in the acknowledgments and as of the day and year first above written.

HOUSTON INDUSTRIES INCORPORATED, d/b/a  
RELIANT ENERGY, INCORPORATED

By: /s/ Marc Kilbride

-----  
Name: Marc Kilbride  
Title: Treasurer

Attest:

/s/ Richard Dauphin

-----  
Name: Richard Dauphin  
Title: Assistant Corporate Secretary

THE BANK OF NEW YORK  
as Trustee

By:/s/ Remo J. Reale

-----  
Name: Remo J. Reale  
Title: Assistant Vice President

Attest:

/s/ Mary La Gumina

-----  
Name: Mary La Gumina  
Title: Assistant Vice President

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AMENDED AND RESTATED DECLARATION OF TRUST

OF

REI TRUST I

\_\_\_\_\_  
DATED AS OF FEBRUARY 26, 1999  
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AMENDED AND RESTATED DECLARATION OF TRUST  
OF  
REI TRUST I

AMENDED AND RESTATED DECLARATION OF TRUST (this "Declaration") dated and effective as of February 26, 1999 by Linda Geiger, an individual, Paul A. Castanon, an individual, and William T. Massar, an individual, as Regular Trustees (the "Regular Trustees"), The Bank of New York, a New York banking corporation, as Property Trustee (the "Property Trustee") and The Bank of New York (Delaware), a Delaware banking corporation, as Delaware Trustee (the "Delaware Trustee") (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a Texas corporation, as trust sponsor ("Reliant Energy" or the "Sponsor"), and by the holders, from time to time, of undivided beneficial interests in the assets of the Trust to be issued pursuant to this Declaration.

WHEREAS, the Sponsor and certain of the Trustees entered into a Declaration of Trust dated as of January 8, 1999 (as amended by an Amendment of the Declaration of Trust, dated as of February 15, 1999, the "Original Declaration") in order to establish REI Trust I, a statutory business trust (the "Trust"), under the Business Trust Act (as hereinafter defined);

WHEREAS, the Certificate of Trust (the "Certificate of Trust") of the Trust was filed with the office of the Secretary of State of the State of Delaware on January 11, 1999;

WHEREAS, the Certificate of Amendment of Certificate of Trust of the Trust, whereby the name of the Trust was changed from "HI Trust I" to "REI Trust I," was filed with the office of the Secretary of State of the State of Delaware on February 16, 1999; and

WHEREAS, the Trustees and the Sponsor desire to continue the Trust pursuant to the Business Trust Act for the purpose of, as described more fully in Sections 303 and 304 hereof, (i) issuing and selling Preferred Securities (as hereinafter defined) representing preferred undivided beneficial interests in the assets of the Trust for cash and investing the proceeds thereof in Debentures (as hereinafter defined) of Reliant Energy issued under the Indenture (as hereinafter defined) to be held as assets of the Trust and (ii) issuing and selling Common Securities (as hereinafter defined) representing common undivided beneficial interests in the assets of the Trust to Reliant Energy in exchange for cash and investing the proceeds thereof in additional Debentures issued under the Indenture to be held as assets of the Trust;

NOW, THEREFORE, it being the intention of the parties hereto that the Trust constitute a business trust under the Business Trust Act, that the Original Declaration be amended and restated in its entirety as provided herein and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all Debentures referred to in clauses (i) and (ii) of the previous paragraph purchased by the Trust will be held for the benefit of the Holders (as hereinafter defined) from time to time, of the Certificates (as hereinafter defined) representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE 1  
DEFINITIONS

Section 1.0. Definitions.

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.01;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Amended and Restated Declaration of Trust (including Exhibits A-1, A-2, B and C hereto (the "Exhibits")) as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles, Sections and Exhibits are to Articles and Sections of and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through

the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Book Entry Interest" means a beneficial interest in a Global Certificate registered in the name of a Clearing Agency or a nominee thereof, ownership and transfers of which shall be maintained and made through book entries by such Clearing Agency as described in Section 9.04.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in the Borough of Manhattan, The City and State of New York or Houston, Texas are authorized or required by law or executive order to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code (S) 3801 et seq., as it may be amended from time to time, or any successor legislation.

"Certificate" means a Common Security Certificate or a Preferred Security Certificate.

"Certificate of Trust" has the meaning set forth in the second WHEREAS clause above.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as depository for the Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Preferred Securities.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Date" means the "Time of Delivery" as specified in the Underwriting Agreement, which date is also the date of execution and delivery of this Declaration.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation. A reference to a specific section (Sec.) of the Code refers not only to such specific section but also to any corresponding provision of any Federal tax statute enacted after the date of this Declaration, as such specific section or corresponding provision is in effect on the date of application of the provisions of this Declaration containing such reference.

"Commission" means the Securities and Exchange Commission.

"Common Securities" has the meaning specified in Section 7.01(b).

"Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security substantially in the form of Annex I to Exhibit C.

"Covered Person" means (i) any officer, director, shareholder, partner, member, representative, employee or agent of the Trust or of any of its Affiliates, (ii) any officer, director, shareholder, employee, representative or agent of Reliant Energy or of any of its Affiliates and (iii) the Holders from time to time of the Securities.

"Creditor" has the meaning specified in Section 4.02(c).

"Debenture Trustee" means The Bank of New York, a New York banking corporation, as trustee under the Indenture until a successor is appointed thereunder and thereafter means such successor trustee.

"Debentures" means the series of junior subordinated debentures issued by Reliant Energy under the Indenture to the Property Trustee and entitled the "7.20% Junior Subordinated Debentures due 2048".

"Definitive Preferred Security Certificates" has the meaning set forth in Section 9.04.

"Delaware Trustee" has the meaning set forth in Section 5.01(a)(3).

"Depository Agreement" means the agreement among the Trust, the Property Trustee and DTC dated as of the Closing Date, as the same may be amended or supplemented from time to time.

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 6.01.

"DTC" means The Depository Trust Company, the initial Clearing Agency.

"Event of Default" in respect of the Securities means that an Indenture Event of Default has occurred and is continuing with respect to the Debentures.

"Exchange" has the meaning specified in Section 3.13.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Fiscal Year" has the meaning specified in Section 11.01.

"Global Certificate" has the meaning set forth in Section 9.04.

"Holder" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"Holder Direct Action" has the meaning specified in Section 3.10(e).

"Indemnified Person" means any Trustee, any Affiliate of any Trustee, any Paying Agent, any officers, directors, shareholders, members, partners, employees, representatives or agents of any Trustee or Paying Agent, or any employee or agent of the Trust or of any of its Affiliates.

"Indenture" means the Junior Subordinated Indenture dated as of February 15, 1999 between Reliant Energy and the Debenture Trustee as supplemented by Supplemental Indenture No. 1 thereto dated as of February 15, 1999, pursuant to which the Debentures are to be issued.

"Indenture Event of Default" means that an event or condition defined as an "Event of Default" with respect to the Debentures under Section 6.01(a) of the Indenture has occurred and is continuing.

"Investment Company" means an "investment company" as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning specified in Section 3.08(g).

"Liquidation Distribution" has the meaning set forth in Exhibits B and C hereto establishing the terms of the Securities.

"List of Holders" has the meaning specified in Section 2.02(a).

"Majority in liquidation amount of the Securities" means, except as otherwise required by the Trust Indenture Act and except as provided in the penultimate paragraph of section 5 of Exhibit B hereto, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Common Securities voting

separately as a class, who are the record owners of a relevant class of Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accumulated and unpaid Distributions to the date upon which the voting percentages are determined) represents more than 50% of the liquidation amount of all outstanding Securities of such class.

"NASDAQ" has the meaning specified in Section 3.13.

"Nasdaq" has the meaning specified in Section 3.13.

"1933 Act Registration Statement" has the meaning specified in Section 3.13.

"1934 Act Registration Statement" has the meaning specified in Section 3.13.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Comptroller, the Secretary or an Assistant Secretary of the Sponsor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 2.04 shall be the principal executive, financial or accounting officer of the Sponsor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Trust, the Property Trustee or the Sponsor, which may be an employee of the Sponsor but not an employee of the Trust or the Property Trustee, and who shall be reasonably acceptable to the Property Trustee. Any Opinion of

Counsel pertaining to Federal income tax matters may rely on published rulings of the Internal Revenue Service.

"Original Declaration" has the meaning set forth in the first WHEREAS clause above.

"Paying Agent" has the meaning specified in Section 3.10(i).

"Payment Amount" has the meaning specified in Section 6.01.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities Guarantee" means the Guarantee Agreement, dated as of February 26, 1999 of Reliant Energy and The Bank of New York, a New York banking corporation as initial guarantee trustee thereunder, in respect of the Preferred Securities.

"Preferred Securities" has the meaning specified in Section 7.01(b).

"Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Preferred Security Certificate" means a definitive certificate in fully registered form representing a Preferred Security substantially in the form of Annex I to Exhibit B.

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 5.01(c) and having the duties set forth for the Property Trustee herein.

"Property Account" has the meaning specified in Section 3.10(c)(i).

"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both such Regular Trustees.

"Regular Trustee" means any Trustee other than the Property Trustee and the Delaware Trustee.

"Related Party" means any direct or indirect wholly owned subsidiary of Reliant Energy or any other Person which owns, directly or indirectly, 100% of the outstanding voting securities of Reliant Energy.

"Reliant Energy" or " Sponsor" means Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a Texas corporation, or any successor entity resulting from any merger, consolidation, amalgamation or other business combination, in its capacity as sponsor of the Trust.

"Resignation Request" has the meaning specified in Section 5.02(d).

"Responsible Officer" means, when used with respect to the Property Trustee, any officer within the corporate trust department of the Property Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Property Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Declaration.

"Rule 3a-7" means Rule 3a-7 under the Investment Company Act or any successor rule thereunder.

"Securities" means the Common Securities and the Preferred Securities.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Special Event" has the meaning set forth in the terms of the Securities as set forth in section 4 of Exhibits B and C hereto.

"Successor Delaware Trustee" has the meaning specified in Section 5.02(b)(ii).

"Successor Entity" has the meaning specified in Section 3.18(b)(i).

"Successor Property Trustee" has the meaning specified in Section 5.02(b)(i).

"Successor Securities" has the meaning specified in Section 3.18(b)(i)(B).

"Super Majority" has the meaning specified in Section 2.06(a)(ii).

"Supplemental Indenture" means Supplemental Indenture No. 1 dated as of February 15, 1999 between Reliant Energy and the Debenture Trustee, pursuant to which the Debentures are to be issued.

"10% in liquidation amount of the Securities" means, except as otherwise required by the Trust Indenture Act and except as provided in the penultimate paragraph of section 5 of Exhibit B hereto, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Common Securities, voting separately as a class, who are the record owners of a relevant class of Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accumulated and unpaid Distributions to the date upon which the voting percentages are determined) represents 10% or more of the liquidation amount of all outstanding Securities of such class.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trust" has the meaning set forth in the first WHEREAS clause above.

"Trustee" or " Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"Underwriting Agreement" means the Underwriting Agreement dated February 23, 1999 among the Trust, the Sponsor and the underwriters named in Schedule I thereto.

ARTICLE 2  
TRUST INDENTURE ACT

Section 2.01. Trust Indenture Act; Application.

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions;

(b) if and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by (S) (S) 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control;

(c) the Property Trustee, to the extent permitted by applicable law and/or the rules and regulations of the Commission, shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act; and

(d) the application of the Trust Indenture Act to this Declaration shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

Section 2.02. Lists of Holders of Preferred Securities.

(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Property Trustee unless the Property Trustee is registrar for the Securities, (i) on each regular record date for payment of Distributions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of such record date, provided that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time that the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Regular Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 15 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Property Trustee shall comply with its obligations under (S) (S) 310(b), 311 and 312(b) of the Trust Indenture Act.

Section 2.03. Reports by the Property Trustee.

Within 60 days after January 15 of each year, commencing January 15, 2000, the Property Trustee shall provide to the Holders of the Securities such reports as are required by (S) 313 of the Trust Indenture Act, if any, in the form, in the manner and at the times provided by (S) 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of (S) 313(d) of the Trust Indenture Act. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with the Company, with each stock exchange or quotation system upon which any Preferred Securities are listed or traded (if so listed or traded) and also with the Commission. The Company agrees to notify the Property Trustee when any Preferred Securities become listed on any stock exchange or quotation system and of any delisting thereof.

Section 2.04. Periodic Reports to the Property Trustee.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee, the Commission and the Holders of the Securities, as applicable, such documents, reports and information as required by (S) 314(a)(1)-(3) (if any) of the Trust Indenture Act and the compliance certificates required by (S) 314(a)(4) and (c) of the Trust Indenture Act, any such certificates to be provided in the form, in the manner and at the times required by (S) 314(a)(4) and (c) of the Trust Indenture Act (provided that any certificate to be provided pursuant to (S) 314(a)(4) of the Trust Indenture Act shall be provided within 120 days of the end of each Fiscal Year). Delivery of such reports, information and documents to the Property Trustee is for informational purposes only and the Property Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Property Trustee is entitled to rely exclusively on Officers' Certificates).

Section 2.05. Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent provided for in this Declaration which relate to any of the matters set forth in (S) 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to (S) 314(c) may be given in the form of an Officers' Certificate.

Section 2.06. Events of Default; Waiver.

(a) The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default in respect of the Preferred Securities and its

consequences, provided that, if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, the Event of Default under this Declaration shall also not be waivable; or

(ii) requires the consent or vote of the holders of greater than a majority in aggregate principal amount of the Debentures (a "Super Majority") to be waived under the Indenture, the Event of Default under this Declaration may only be waived by the vote of the Holders of at least the proportion in aggregate liquidation amount of the Preferred Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

The foregoing provisions of this Section 2.06(a) shall be in lieu of (S) 316(a)(1)(B) of the Trust Indenture Act and such (S) 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Preferred Securities of an Event of Default with respect to the Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote or consent of the Holders of the Common Securities.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, provided that, if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under this Declaration as provided above in Section 2.06(a) or below in this Section 2.06(b), the Event of Default under this Declaration shall also not be waivable; or

(ii) requires the consent or vote of a Super Majority to be waived, except where the Holders of the Common Securities are deemed to have waived such Event of Default under this Declaration as provided above in Section 2.06(a) or below in this Section 2.06(b), the Event of Default under this Declaration may only be waived by the vote of the Holders of at

least the proportion in aggregate liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

provided, further, that the Holders of Common Securities will be deemed to have waived any such Event of Default and all Events of Defaults with respect to the Common Securities and their consequences until all Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Securities. The foregoing provisions of this Section 2.06(b) shall be in lieu of (S) (S) 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such (S) (S) 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. In the event that any Event of Default with respect to the Preferred Securities is waived by the Holders of Preferred Securities as provided in this Declaration, the Holders of Common Securities agree that such waiver shall also constitute the waiver of such Event of Default with respect to the Common Securities for all purposes under this Declaration without any further act, vote or consent of the Holders of the Common Securities. Subject to the foregoing provisions of this Section 2.06(b), upon waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of an Event of Default under the Indenture by the Property Trustee, at the direction of the Holders of Preferred Securities, constitutes a waiver of the corresponding Event of Default under this Declaration. The foregoing provisions of this Section 2.06(c) shall be in lieu of (S) 316(a)(1)(B) of the Trust Indenture Act and such (S) 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act.

#### Section 2.07. Disclosure of Information.

The disclosure of information as to the names and addresses of the Holders of the Securities in accordance with (S) 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law, or any law hereafter enacted which does not specifically refer to (S) 312 of the Trust Indenture Act, nor shall the Property

Trustee be held accountable by reason of mailing any material pursuant to a request made under (S) 312(b) of the Trust Indenture Act.

## ARTICLE 3

### ORGANIZATION

#### Section 3.01. Name.

The Trust continued by this Declaration is named "REI Trust I" as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of the Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

#### Section 3.02. Office.

The address of the principal office of the Trust is c/o Reliant Energy, Incorporated, 1111 Louisiana, Houston, Texas 77002. Upon ten days' written notice to the Holders, the Regular Trustees may change the location of the Trust's principal office.

#### Section 3.03. Issuance of the Securities.

On February 23, 1999 the Sponsor, on behalf of the Trust and pursuant to the Original Declaration, executed and delivered the Underwriting Agreement. On the Closing Date and contemporaneously with the execution and delivery of this Declaration, the Regular Trustees, on behalf of the Trust, shall execute and deliver (i) one or more Global Certificates, registered in the name of the nominee of the initial Clearing Agency as specified in Section 9.04 for the benefit of the underwriters named in the Underwriting Agreement, in an aggregate amount of 15,000,000 Preferred Securities having an aggregate liquidation amount of \$375,000,000, against receipt of the aggregate purchase price of such Preferred Securities of \$375,000,000, and (ii) to the Sponsor, one or more Common Securities Certificates, registered in the name of the Sponsor, in an aggregate amount of 463,920 Common Securities having an aggregate liquidation amount of \$11,598,000, against receipt of the aggregate purchase price of such Common Securities of \$11,598,000.

#### Section 3.04. Purchase of Debentures.

On the Closing Date and contemporaneously with the execution and delivery of this Declaration, the Regular Trustees, on behalf of the Trust, shall purchase from the Sponsor with the proceeds received by the Trust from the sale of the Securities on such date pursuant to Section 3.03, at a purchase price of 100% of the principal amount thereof, Debentures, registered in the name of the Property Trustee and having an aggregate principal amount equal to \$386,598,000, and, in satisfaction of the purchase price for such Debentures, the

Property Trustee, on behalf of the Trust, shall deliver or cause to be delivered to the Sponsor the sum of \$386,598.000.

Section 3.05. Purpose.

The exclusive purposes and functions of the Trust are: (a) (i) to issue and sell Preferred Securities for cash and use the proceeds of such sales to acquire from Reliant Energy Debentures issued under the Indenture having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities so issued and sold; (ii) to enter into such agreements and arrangements as may be necessary in connection with the sale of Preferred Securities to the initial purchasers thereof (including the Underwriting Agreement) and to take all action, and exercise such discretion, as may be necessary or desirable in connection therewith and to file such registration statements or make such other filings under the Securities Act, the Exchange Act or state securities or "Blue Sky" laws as may be necessary or desirable in connection therewith and the issuance of the Preferred Securities; and (iii) to issue and sell Common Securities to Reliant Energy for cash and use the proceeds of such sale to purchase as trust assets an equal aggregate principal amount of Debentures issued under the Indenture; and (b) except as otherwise limited herein, to engage in only those other activities necessary, convenient or incidental thereto, including such other activities specifically authorized in this Declaration. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, mortgage or pledge any of its assets or at any time while the Securities are outstanding, otherwise undertake (or permit to be undertaken) any activity that would result in or cause the Trust not to be classified for United States Federal income tax purposes as a grantor trust.

Section 3.06. Authority.

Subject to the limitations provided in this Declaration and to the specific duties of the Property Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

Section 3.07. Title to Property of the Trust.

Except as provided in Section 3.10 with respect to the Debentures and the Property Account or unless otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have undivided beneficial interests in the assets of the Trust.

Section 3.08. Powers and Duties of the Regular Trustees.

The Regular Trustees shall have the exclusive power, authority and duty to cause the Trust, and shall cause the Trust, to engage in the following activities:

(a) to issue Preferred Securities and Common Securities, in each case in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Preferred Securities and no more than one series of Common Securities, and, provided further, that there shall be no interests in the Trust other than the Securities and the issuance of Securities shall be limited to a one-time, simultaneous issuance of both Preferred Securities and Common Securities on the Closing Date;

(b) in connection with the issuance of the Preferred Securities, at the direction of the Sponsor, to effect or cause to be effected the filings, and to execute or cause to be executed, the documents, set forth in Section 3.13 and to execute, deliver and perform on behalf of the Trust the Depositary Agreement;

(c) to acquire as trust assets Debentures with the proceeds of the sale of the Preferred Securities and the Common Securities; provided, however, that the Regular Trustees shall cause legal title to all of the Debentures to be vested in, and the Debentures to be held of record in the name of, the Property Trustee for the benefit of the Holders of the Preferred Securities and the Common Securities;

(d) if and to the extent that the Sponsor on behalf of the Trust has not already done so, to cause the Trust to enter into the Underwriting Agreement and such other agreements and arrangements as may be necessary or desirable in connection with the sale of the Preferred Securities to the initial purchasers thereof and the consummation thereof, and to take all action, and exercise all discretion, as may be necessary or desirable in connection with the consummation thereof;

(e) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Special Event;

(f) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including for the purposes of

(S) 316(c) of the Trust Indenture Act and with respect to Distributions, voting rights, redemptions, and exchanges, and to issue relevant notices to Holders of the Preferred Securities and Common Securities as to such actions and applicable record dates;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.10(e), the Property Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(j) to give the certificate to the Property Trustee required by (S) 314(a)(4) of the Trust Indenture Act, which certificate may be executed by any Regular Trustee;

(k) to incur expenses which are necessary or incidental to carrying out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, registrar and transfer agent for the Securities, the Regular Trustees hereby initially appointing the Property Trustee for such purposes;

(m) to take all actions and perform such duties as may be required of the Regular Trustee pursuant to the terms of the Securities set forth in Exhibits B and C hereto;

(n) to take all actions which may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Securities or to enable the Trust to effect the purposes for which the Trust has been created;

(o) to take all actions, not inconsistent with this Declaration or with applicable law, which the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the purposes of the Trust and the activities of the Trust as set out in this Section 3.08, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust to be classified for United States Federal income tax purposes as a grantor trust; and

(iii) cooperating with the Sponsor to ensure that the Debentures will be treated as indebtedness of the Sponsor for United States Federal income tax purposes;

(p) to take all actions necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust, and to comply with any requirements imposed by any taxing authority on holders of instruments treated as indebtedness for United States Federal income tax purposes;

(q) subject to the requirements of Rule 3a-7 (if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7) and (S) 317(b) of the Trust Indenture Act, to appoint one or more Paying Agents in addition to the Property Trustee; and

(r) to execute all documents or instruments, perform all duties and powers and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing.

The Regular Trustees must exercise the powers set forth in this Section 3.08 in a manner which is consistent with the purposes and functions of the Trust set out in Section 3.05, and the Regular Trustees shall not take any action which is inconsistent with the purposes and functions of the Trust set forth in Section 3.05.

Subject to this Section 3.08, the Regular Trustees shall have none of the powers or any of the authority of the Property Trustee set forth in Section 3.10.

The Regular Trustees shall take all actions on behalf of the Trust that are not specifically required by this Declaration to be taken by any other Trustee.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.08 shall be reimbursed by the Sponsor.

Section 3.09. Prohibition of Actions by the Trust and the Trustees.

The Trust shall not, and the Trustees (including the Property Trustee) shall cause the Trust not to, engage in any activity other than in connection with the purposes of the Trust or other than as required or authorized by this Declaration.

In particular, the Trust shall not and the Trustees (including the Property Trustee) shall not cause the Trust to:

(a) invest any proceeds received by the Trust from holding the Debentures but shall promptly distribute from the Property Account all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(b) acquire any assets other than as expressly provided herein;

(c) possess Trust property for other than a Trust purpose;

(d) make any loans, other than loans represented by the Debentures;

(e) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever, except as otherwise expressly provided herein;

(f) issue any securities or other evidences of beneficial ownership of, or beneficial interests in, the Trust other than the Securities;

(g) incur any indebtedness for borrowed money;

(h) (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee or exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (ii) waive any past default that is waivable under Section 6.06 of the Indenture, or (iii) exercise any right to rescind or annul a declaration of acceleration of the maturity of the principal of the Debentures, without, in each case, obtaining the prior approval of the Holders of a Majority in liquidation amount of all outstanding Securities;

(i) revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities except by subsequent vote of such Holders;

(j) consent to any amendment, modification or termination of the Indenture or the Debentures, where such consent shall be required, unless in the case of this clause (j) the Property Trustee shall have received an Opinion of Counsel experienced in such matters to the effect that such amendment, modification or termination will not cause more than an insubstantial risk that for United States Federal income tax purposes the Trust will not be classified as a grantor trust;

(k) take or consent to any action that would result in the placement of a lien, pledge, charge, mortgage or other encumbrance on any of the Trust property;

(l) vary the investment (within the meaning of Treasury Regulation Section 301.7701-4(c)) of the Trust or of the Holders of Securities; or

(m) after the date hereof, enter into any contract or agreement (other than any depositary agreement or any agreement with any securities exchange or automated quotation system) that does not expressly provide that the Holders of Preferred Securities, in their capacities as such, have limited liability (in accordance with the provisions of the Business Trust Act) for the liabilities and obligations of the Trust, which express provision shall be in substantially the following form, "The Holders of the Preferred Securities, in their capacities as such, shall not be personally liable for any liabilities or obligations of the Trust arising out of this Agreement, and the parties hereto hereby agree that the Holders of the Preferred Securities, in their capacities as such, shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware."

Section 3.10. Powers and Duties of the Property Trustee.

(a) The legal title to the Debentures shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Holders of the Securities. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Article 5. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or, if the Property Trustee does not also act as the Delaware Trustee, the Delaware Trustee.

(c) The Property Trustee shall:

(i) establish and maintain a segregated non-interest bearing bank account (the "Property Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Securities and on the receipt of payments of funds made in respect of the Debentures held by the Property Trustee, deposit such funds into the Property Account and, without any further acts of the Property Trustee or the Regular Trustees, promptly make payments to the Holders of the Preferred Securities and Common Securities from the Property Account in accordance with Section 6.01. Funds in the Property Account shall be held uninvested, and without liability for interest thereon, until disbursed in accordance with this Declaration. The Property Account shall be an account which is maintained with a banking institution whose long term unsecured indebtedness is rated by a "nationally recognized statistical rating

organization", as such term is defined for purposes of Rule 436(g)(2) under the Securities Act, at least investment grade;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect promptly the redemption of the Preferred Securities and the Common Securities to the extent the Debentures are redeemed or mature;

(iii) upon notice of distribution issued by the Regular Trustees in accordance with the terms of the Preferred Securities and the Common Securities, engage in such ministerial activities as shall be necessary or appropriate to effect promptly pursuant to terms of the Securities the distribution of Debentures to Holders of Securities upon the election of the Holder of Common Securities to distribute the Debentures to Holders of Securities and dissolve the Trust; and

(iv) have the legal power to exercise all of the rights, powers and privileges of a holder of the Debentures under the Indenture and, if an Event of Default occurs and is continuing, the Property Trustee, subject to Section 3.10(e), shall for the benefit of the Holders of the Securities, enforce its rights as holder of the Debentures under the Indenture, subject to the rights of the Holders of the Preferred Securities pursuant to the terms of this Declaration, the Business Trust Act and the Trust Indenture Act.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Securities set forth in Exhibits B and C hereto.

(e) If an Event of Default has occurred and is continuing, then the Holders of a Majority in liquidation amount of the Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under this Declaration, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the Debentures. If the Property Trustee fails to enforce its rights under the Debentures, a Holder of Preferred Securities, to the extent permitted by applicable law, may, after a period of 30 days has elapsed since such Holder's written request to the Property Trustee to enforce such rights, institute a legal proceeding directly against the Sponsor to enforce the Property Trustee's rights under the Debentures without first instituting any legal proceeding against the Property Trustee or any other Person; provided further, that, if an Event of Default has occurred and is continuing and such event is attributed to the failure of the Sponsor to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption

date), then a Holder of Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Preferred Securities of such Holder (a "Holder Direct Action") on or after the respective due date specified in the Debentures. In connection with such Holder Direct Action, the Sponsor will be subrogated to the rights of such Holder of Preferred Securities to the extent of any payment made by the Sponsor to such Holders of Preferred Securities in such Holder Direct Action. Except as provided in the preceding sentences, the Holders of Preferred Securities will not be able to exercise directly any other remedy available to the Holders of the Debentures.

(f) All moneys deposited in the Property Account and all Debentures held by the Property Trustee for the benefit of the Holders of the Securities will not be subject to any right, charge, security interest, lien or claim of any kind in favor of, or for the benefit of the Property Trustee or its agents or their creditors.

(g) The Property Trustee shall, within 90 days after the occurrence of a default with respect to the Securities actually known to a Responsible Officer of the Property Trustee, transmit by mail, first class postage prepaid, to the holders of the Securities, as their names and addresses appear upon the register, notice of such defaults with respect to the Securities known to the Property Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 3.10(g) being hereby defined to be an Indenture Event of Default, not including any periods of grace provided for in the Indenture and irrespective of the giving of any notice provided therein); provided, that, except in the case of default in the payment of the principal of (or premium, if any) or interest on any of the Debentures, the Property Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers, of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities. The Property Trustee shall not be deemed to have knowledge of any default, except (i) a default in the payment of principal, premium or interest on the Debentures or (ii) any default as to which the Property Trustee shall have received written notice or a Responsible Officer charged with the administration of this Declaration shall have obtained written notice.

(h) The Property Trustee shall continue to serve as a Trustee until either:

(i) the Trust has been completely liquidated and the proceeds thereof distributed to the Holders of Securities pursuant to the terms of the Securities; or

(ii) a Successor Property Trustee has been appointed and accepted that appointment in accordance with Article 5.

(i) The Property Trustee shall act as paying agent in respect of the Common Securities and, if the Preferred Securities are not in book entry only form, the Preferred Securities and, subject to Section 3.08(q), may authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to the Preferred Securities. Any such Paying Agent shall comply with (S) 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Property Trustee, after consultation with the Regular Trustees, at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee, subject to Section 3.08(q).

(j) The Property Trustee shall give prompt written notice to the Holders of the Securities of any notice received by it from Reliant Energy of its election to defer payments of interest on the Debentures by extending the interest payment period with respect thereto.

(k) Subject to this Section 3.10, the Property Trustee shall have none of the powers or the authority of the Regular Trustees set forth in Section 3.08.

(l) The Property Trustee shall exercise the powers, duties and rights set forth in this Section 3.10 and Section 3.12 in a manner which is consistent with the purposes and functions of the Trust set out in Section 3.05, and the Property Trustee shall not take any action which is inconsistent with the purposes and functions of the Trust set forth in Section 3.05.

#### Section 3.11. Delaware Trustee.

Notwithstanding any other provision of this Declaration other than Section 5.01(a)(3), the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Trustees described in this Declaration. Except as set forth in Section 5.01(a)(3), the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of (S) 3807(a) of the Business Trust Act. No implied covenants or obligations shall be read into this Declaration against the Delaware Trustee.

#### Section 3.12. Certain Rights and Duties of the Property Trustee.

(a) The Property Trustee, before the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration, and no implied covenants shall be read into this Declaration against the Property Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.06), the Property Trustee shall exercise

such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration, and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; provided, however, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee hereunder or under the Indenture, or exercising any trust or power conferred upon the Property Trustee under this Declaration; and

(iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal

financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Subject to the provisions of Section 3.12(a) and (b):

(i) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part and, if the Trust is excluded from the definition of Investment Company solely by means of Rule 3a-7, subject to the requirements of Rule 3a-7, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Regular Trustees;

(ii) the Property Trustee (A) may consult with counsel (which may be counsel to the Sponsor or any of its Affiliates and may include any of its employees) selected by it in good faith and with due care and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice and opinion and (B) shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(iii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it in good faith and with due care;

(iv) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have offered to the Property Trustee security and indemnity satisfactory to the Property Trustee against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction; provided that nothing contained in this clause (iv) shall relieve the Property Trustee of the obligation, upon the occurrence of an Event of Default (which has not been cured or waived) to exercise such of the rights and powers vested in it by this Declaration, and to use the same degree of care and skill in this exercise, as a prudent

person would exercise or use under the circumstances in the conduct of his or her own affairs; and

(v) any action taken by the Property Trustee or its agents hereunder shall bind the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action; and no third party shall be required to inquire as to the authority of the Property Trustee to so act, or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action.

(d) The recitals contained herein shall be taken as the statements of the Sponsor, and the Property Trustee assumes no responsibility for the correctness of the same. The Property Trustee makes no representations as to the validity or sufficiency of this Declaration.

(e) The Property Trustee, in its individual or any other capacity, may become the owner or pledgee of Preferred Securities and may otherwise deal with the Sponsor with the same rights it would have if it were not the Property Trustee.

(f) All moneys received by the Property Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Property Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree in writing to pay thereon.

(g) (i) The Sponsor covenants and agrees to pay to the Property Trustee from time to time, and the Property Trustee shall be entitled to, such compensation as the Sponsor and the Property Trustee shall from time to time agree in writing (which shall not be limited by any provision of law in regard to the compensation of a Property Trustee of an express trust) for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Property Trustee, and the Sponsor will pay or reimburse the Property Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Property Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Sponsor also covenants to indemnify each of the Property Trustee or any predecessor Property Trustee and their officers, agents, directors and employees for, and to hold them harmless against, any and all loss, liability,

damage, claim or expense including taxes (other than taxes based upon, measured by or determined by the income of the Property Trustee) incurred without negligence or bad faith on the part of the Property Trustee and arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Sponsor, any Holder or any other Person) of liability in the premises. The provisions of this subpart (g) of this Section 3.12 shall survive the termination of this Declaration and resignation or removal of the Property Trustee.

(ii) The obligations of the Sponsor under this subpart (g) of this Section 3.12 to compensate and indemnify the Property Trustee and to pay or reimburse the Property Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Property Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities.

(h) Except as otherwise provided in this Section 3.12, whenever in the administration of the provisions of this Declaration the Property Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Property Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Property Trustee and such certificate, in the absence of negligence or bad faith on the part of the Property Trustee, shall be full warrant to the Property Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Declaration upon the faith thereof.

(i) Whether or not expressly stated, every provision of this Declaration pertaining to the Property Trustee shall be subject to this Section 3.12.

#### Section 3.13. Registration Statement and Related Matters.

In accordance with the Original Declaration, Reliant Energy, as the sponsor of the Trust, was authorized (i) to file with the Commission and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-3 (Registration Nos. 333-70665, 333-70665-01 and 333-70665-02) (the "1933 Act Registration Statement") including any pre-effective or post-effective amendments thereto, relating to the registration under the Securities Act of the Preferred Securities and (b) if Reliant Energy shall deem it desirable, a Registration Statement on Form 8-A or other appropriate form (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities under

Section 12 of the Exchange Act; (ii) if Reliant Energy shall deem it desirable, to prepare and file with the New York Stock Exchange or one or more national securities exchange(s) (each, an "Exchange") or the National Association of Securities Dealers, Inc. (the "NASD") and execute on behalf of the Trust a listing application or applications and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the Preferred Securities to be listed on any such Exchange or the NASD's Nasdaq National Market ("Nasdaq"); (iii) to file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and all other papers and documents as Reliant Energy, on behalf of the Trust, may deem necessary or desirable to register the Preferred Securities under the securities or "Blue Sky" laws of such jurisdictions as Reliant Energy on behalf of the Trust, may deem necessary or desirable; and (iv) to negotiate the terms and execute on behalf of the Trust the Underwriting Agreement. In the event that any filing referred to in clauses (i)-(iii) above is required by the rules and regulations of the Commission, any Exchange, Nasdaq, the NASD or state securities or blue sky laws, to be executed on behalf of the Trust by the Trustees, the Regular Trustees, in their capacities as Trustees of the Trust, and Reliant Energy are hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing. In connection with all of the foregoing, Reliant Energy and each Trustee, solely in its capacity as Trustee of the Trust, have constituted and appointed, and hereby confirm the appointment of, Hugh Rice Kelly, R. Steve Letbetter and Stephen W. Naeve and each of them, as his, her or its, as the case may be, true and lawful attorneys-in-fact, and agents, with full power of substitution and resubstitution, for Reliant Energy or such Trustee or in Reliant Energy' or such Trustee's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the 1933 Act Registration Statement and the 1934 Act Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as Reliant Energy or such Trustee might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Section 3.14. Filing of Amendments to Certificate of Trust.

The Certificate of Trust as filed with the Secretary of State of the State of Delaware on January 11, 1999 is attached hereto as Exhibit A-1. The Certificate of Amendment of Certificate of Trust as filed with the Secretary of State of the State of Delaware on February 16, 1999 is attached hereto as Exhibit A-2. On or after the date of execution of this Declaration, the Trustees shall cause the filing with the Secretary of State of the State of Delaware of such amendments, if any, to the Certificate of Trust as the Trustees shall deem necessary or desirable.

Section 3.15. Execution of Documents by the Regular Trustees.

Except as otherwise required by the Business Trust Act with respect to the Certificate of Trust or otherwise and except as provided in Sections 7.01(c) and 9.08, any Regular Trustee, or if there is only one, such Regular Trustee is authorized to execute and deliver on behalf of the Trust any documents which the Regular Trustees have the power and authority to execute or deliver pursuant to this Declaration.

Section 3.16. Trustees Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Securities.

Section 3.17. Duration of the Trust.

The Trust, absent dissolution pursuant to the provisions of Article 8 hereof, shall continue without dissolution until December 31, 2053.

Section 3.18. Mergers.

(a) The Trust may not merge with or into, convert into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any Person, except as described in Section 3.18(b) and (c) of this Declaration.

(b) The Trust may, at the request of the Sponsor, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders, the Delaware Trustee or the Property Trustee, merge with or into, convert into, consolidate, amalgamate, or be replaced

by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, a trust organized as such under the laws of any State; provided that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Securities and this Declaration; or

(B) substitutes for the Securities other securities having substantially the same terms as the Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;

(ii) the Sponsor expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Property Trustee as the holder of the Debentures;

(iii) the Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization in which the Preferred Securities are then listed or quoted, if any;

(iv) if the Preferred Securities (including any Successor Securities) are rated by any nationally recognized statistical rating organization prior to such transaction, such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Preferred Securities (including any Successor Securities), or if the Debentures are so rated, the Debentures, to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders (including the holders of any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the new entity);

(vi) such Successor Entity has purposes substantially identical to those of the Trust;

(vii) prior to such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Sponsor has received an Opinion of Counsel experienced in such matters that:

(A) such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders (including the holders of any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company under the Investment Company Act; and

(C) following such merger, conversion, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States Federal income tax purposes;

(viii) the Sponsor or any permitted successor or assignee owns all of the common securities of such Successor Entity and guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Preferred Securities Guarantee; and

(ix) there shall have been furnished to the Property Trustee an Officers' Certificate and an Opinion of Counsel, each to the effect that all conditions precedent in this Declaration to such transaction have been satisfied.

(c) Notwithstanding Section 3.18(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Securities, consolidate, amalgamate, merge with or into, convert into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, any other Person or permit any other Person to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, conversion, replacement, conveyance, transfer or lease would cause the Trust or the Successor Entity not to be classified as a grantor trust for United States Federal income tax purposes or would cause the Holders of the Securities not to be treated as owning an undivided interest in the Debentures.

Section 3.19. Property Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Trust or any other obligor upon the Securities or the property of the Trust or of such other obligor or their creditors, the Property Trustee (irrespective of whether any Distributions on the Securities shall then be

due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Property Trustee shall have made any demand on the Trust for the payment of any past due Distributions) shall be entitled and empowered, to the fullest extent permitted by law, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of any Distributions owing and unpaid in respect of the Securities (or, if the Securities are original issue discount Securities, such portion of the liquidation amount as may be specified in the terms of such Securities) and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Property Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Property Trustee and, in the event the Property Trustee shall consent to the making of such payments directly to the Holders to pay to the Property Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel, and any other amounts due the Property Trustee.

Nothing herein contained shall be deemed to authorize the Property Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or compensation affecting the Securities or the rights of any Holder thereof to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

#### ARTICLE 4

##### SPONSOR

Section 4.01. Purchase of Common Securities by the Sponsor.

On the Closing Date, the Sponsor will purchase all of the Common Securities issued by the Trust at the same time as the Preferred Securities to be issued on such date are issued, such purchase to be in an amount equal to or greater than 3% of the total capital of the Trust.

Section 4.02. Expenses.

(a) In connection with the purchase of the Debentures by the Trust, the Sponsor, in its capacity as Sponsor and not as a Holder, shall be responsible for and shall pay for all debts and obligations (other than with respect to the Securities) and all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the issuance of the Preferred Securities to initial purchasers thereof, the fees and expenses (including reasonable counsel fees and expenses) of the Trustees (including any amounts payable under Article 10), the costs and expenses relating to the operation of the Trust, including, without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the disposition of Trust assets).

(b) In connection with the purchase of the Debentures by the Trust, the Sponsor, in its capacity as Sponsor and not as a Holder, shall pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

(c) The Sponsor's obligations under this Section 4.02 shall be for the benefit of, and shall be enforceable by, any Person to whom any such debts, obligations, costs, expenses and taxes are owed (a "Creditor") whether or not such Creditor has received notice hereof. Any such Creditor may enforce the Sponsor's obligations under this Section 4.02 directly against the Sponsor and the Sponsor irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other Person before proceeding against the Sponsor.

(d) The Sponsor shall be subrogated to all (if any) rights of the Trust in respect of any amounts paid to any Creditor by the Sponsor under this Section 4.02.

ARTICLE 5

TRUSTEES

Section 5.01. Number of Trustees; Qualifications.

(a) The number of Trustees initially shall be five (5). At any time (i) before the issuance of the Securities, the Sponsor may, by written instrument,

increase or decrease the number of, and appoint, remove and replace, the Trustees, and (ii) after the issuance of the Securities the number of Trustees may be increased or decreased solely by, and Trustees may be appointed, removed or replaced solely by, vote of Holders of Common Securities representing a Majority in liquidation amount of the Common Securities voting as a class; provided that in any case:

(1) the number of Trustees shall be at least five (5) unless the Trustee that acts as the Property Trustee also acts as the Delaware Trustee, in which case the number of Trustees shall be at least four (4);

(2) at least a majority of the Trustees shall at all times be officers, directors or employees of Reliant Energy;

(3) if required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be either a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise is permitted to act as a Trustee hereunder under the laws of the State of Delaware, except that if the Property Trustee has its principal place of business in the State of Delaware and otherwise is permitted to act as a Trustee hereunder under the laws of the State of Delaware, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application; and

(4) there shall at all times be a Property Trustee hereunder which shall satisfy the requirements of Section 5.01(c).

Each Trustee shall be either a natural person at least 21 years of age or a legal entity which shall act through one or more duly appointed representatives.

(b) The initial Regular Trustees shall be:

Linda Geiger, Paul Castanon and William T. Massar

c/o Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002

(c) There shall at all times be one Trustee which shall act as the Property Trustee. In order to act as the Property Trustee hereunder, such Trustee shall:

(i) not be an Affiliate of the Sponsor;

(ii) be a corporation or national banking association organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation, national banking association or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation or national banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 5.01(c)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published; and

(iii) if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7 and to the extent Rule 3a-7 requires a trustee having certain qualifications to hold title to the "eligible assets" (as defined in Rule 3a-7) of the Trust, the Property Trustee shall possess those qualifications.

If at any time the Property Trustee shall cease to satisfy the requirements of clauses (i)-(iii) above, the Property Trustee shall immediately resign in the manner and with the effect set out in Section 5.02(d). If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of (S) 310(b) of the Trust Indenture Act, the Property Trustee and the Holders of the Common Securities (as if such Holders were the obligor referred to in (S) 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of (S) 310(b) of the Trust Indenture Act. The Preferred Securities Guarantee and the Indenture shall be deemed to be specifically described in this Declaration for the purposes of clause (i) of the first proviso contained in (S) 310(b) of the Trust Indenture Act.

The initial Trustee which shall serve as the Property Trustee is The Bank of New York, a New York banking corporation, whose address is as set forth in Section 14.01(b).

(d) The initial Trustee which shall serve as the Delaware Trustee is The Bank of New York (Delaware), a Delaware banking corporation, whose address is as set forth in Section 14.01(c).

(e) Any action taken by the Holders of Common Securities pursuant to this Article 5 shall be taken at a meeting of the Holders of Common Securities convened for such purpose or by written consent as provided in Section 12.02.

(f) No amendment may be made to this Section 5.01 which would change any rights with respect to the number, existence or appointment and removal of Trustees, except with the consent of each Holder of Common Securities.

Section 5.02. Appointment, Removal and Resignation of the Trustees.

(a) Subject to Section 5.02(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of the Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of the Securities by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class.

(b) (i) The Trustee that acts as the Property Trustee shall not be removed in accordance with Section 5.02(a) until a successor Trustee possessing the qualifications to act as the Property Trustee under Section 5.01(c) (a "Successor Property Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Regular Trustees, the Sponsor and the Property Trustee being removed; and

(ii) the Trustee that acts as the Delaware Trustee shall not be removed in accordance with Section 5.02(a) until a successor Trustee possessing the qualifications to act as the Delaware Trustee under Section 5.01(a)(3) (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees, the Sponsor and the Delaware Trustee being removed.

(c) A Trustee appointed to office shall hold such office until his successor shall have been appointed or until his death, removal or resignation.

(d) Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument (a "Resignation Request") in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) no such resignation of the Trustee that acts as the Property Trustee shall be effective until:

(A) a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Regular Trustees, the Sponsor and the resigning Property Trustee; or

(B) if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7, until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the Holders of the Securities; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees, the Sponsor and the resigning Delaware Trustee.

(e) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.02 within 60 days after delivery of a notice of removal or a Resignation Request, the Property Trustee or Delaware Trustee being removed or resigning as the case may be may petition, at the expense of the Sponsor, any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee, as the case may be. Such court may thereupon after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

#### Section 5.03. Vacancies among the Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.01 or if the number of Trustees is increased pursuant to Section 5.01, a vacancy shall occur. A resolution certifying the existence of such vacancy by a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with the requirements of this Article 5.

#### Section 5.04. Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee, or any one of them, shall not operate to dissolve, terminate or annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur until such vacancy is filled as provided in this Article 5, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

Section 5.05. Meetings.

Meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meeting of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meeting of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before such meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless otherwise provided in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees.

Section 5.06. Delegation of Power.

(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any registration statement or amendment thereto or other document or schedule filed with the Commission or making any other governmental filing (including, without limitation, the filings referred to in Section 3.13).

(b) The Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.07. Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Property Trustee or the Delaware Trustee or any Regular Trustee that is not a natural person, as the case may be, may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Property Trustee or the Delaware Trustee or the Regular Trustees, as the case may be, shall be a party, or

any Person succeeding to all or substantially all of the corporate trust business of the Property Trustee or the Delaware Trustee or the Regular Trustee, as the case may be, shall be the successor of the Property Trustee or the Delaware Trustee or the Regular Trustees, as the case may be, hereunder, provided that such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

## ARTICLE 6

### DISTRIBUTIONS

#### Section 6.01. Distributions.

Holders shall receive periodic distributions, redemption payments and liquidation distributions in accordance with the applicable terms of the relevant Holder's Securities as set forth in Exhibits B and C hereto ("Distributions"). If and to the extent that Reliant Energy makes a payment of interest (including Additional Interest and/or Compounded Interest (as defined in the Indenture)), premium and/or principal on the Debentures held by the Property Trustee (the amount of any such payment being a "Payment Amount"), the Property Trustee shall and is directed, to the extent funds are available for that purpose, to promptly make a Distribution of the Payment Amount to Holders in accordance with the terms of the Securities as set forth in Exhibits B and C hereto. The record dates and payment dates for Distributions shall be the same as the record dates and payment dates for the Debentures held by the Property Trustee.

## ARTICLE 7

### ISSUANCE OF THE SECURITIES

#### Section 7.01. General Provisions Regarding the Securities.

(a) The Regular Trustees shall issue on behalf of the Trust Securities in fully registered form representing undivided beneficial interests in the assets of the Trust in accordance with Section 7.01(b) and for the consideration specified in Section 3.03.

(b) The Regular Trustees shall issue on behalf of the Trust one class of preferred securities representing preferred undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit B (the "Preferred Securities") hereto, which terms are incorporated by reference in, and made a part of, this Declaration as if specifically set forth herein, and one class of common

securities representing common undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit C (the "Common Securities") hereto, which terms are incorporated by reference in, and made a part of, this Declaration as if specifically set forth herein. The Trust shall have no securities or other interests in the assets of the Trust other than the Preferred Securities and the Common Securities.

(c) The Certificates shall be signed on behalf of the Trust by the Regular Trustees (or if there are more than two Regular Trustees by any two of the Regular Trustees). Such signatures may be the manual or facsimile signatures of the present or any future Regular Trustee. Typographical and other minor errors or defects in any such reproduction of any such signature shall not affect the validity of any Certificate. In case any Regular Trustee who shall have signed any of the Certificates shall cease to be such Regular Trustee before the Certificate so signed shall be delivered by the Trust, such Certificate nevertheless may be delivered as though the person who signed such Certificate had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons as, at the actual date of the execution of such Certificate, shall be the Regular Trustees, although at the date of the execution and delivery of this Declaration any such person was not a Regular Trustee. Certificates shall be typewritten, printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or automated quotation system on which Securities may be listed or traded, or with any rule or regulation of the Clearing Agency, or to conform to usage. Pending the preparation of definitive Certificates, the Regular Trustees on behalf of the Trust may execute temporary Certificates (printed, lithographed or typewritten), in substantially the form of the definitive Certificates in lieu of which they are issued, but with such omissions, insertions and variations as may be appropriate for temporary Certificates, all as may be determined by the Regular Trustees. Each temporary Certificate shall be executed by the Regular Trustees (or, if there are more than two Regular Trustees, by any two of the Regular Trustees) on behalf of the Trust upon the same conditions and in substantially the same manner, and with like effect, as definitive Certificates. Without unnecessary delay, the Regular Trustees on behalf of the Trust will execute and furnish definitive Certificates and thereupon any or all temporary Certificates may be surrendered to the transfer agent and registrar in exchange therefor (without charge to the Holders). Each Preferred Security Certificate whether in temporary or definitive form shall be countersigned, upon receipt of a written order of the Trust signed by one Regular Trustee, by the manual signature of an authorized signatory of the Person acting as registrar and transfer agent for the Preferred Securities, which shall initially be the Property Trustee.

(d) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(e) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(f) Every Person, by virtue of having become a Holder or a Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by this Declaration.

(g) Upon issuance of the Securities as provided in this Declaration, the Regular Trustees on behalf of the Trust shall return to Reliant Energy the \$10 constituting initial trust assets as set forth in the Original Declaration.

## ARTICLE 8

### DISSOLUTION OF THE TRUST

Section 8.01. Dissolution of the Trust.

The Trust shall dissolve:

(i) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders of the Securities in accordance with the terms of the Securities; or

(ii) when all of the Debentures shall have been distributed to the Holders of the Securities in exchange for all of the Securities in accordance with the terms of the Securities;

(iii) upon the expiration of the term of the Trust as set forth in Section 3.17; or

(iv) upon a decree of judicial dissolution.

Upon dissolution and the completion of the winding up of the affairs of the Trust, the Trust and this Declaration shall terminate when a certificate of cancellation is filed by the Trustees with the Secretary of State of the State of Delaware. The

Trustees shall so file such a certificate as soon as practicable after the occurrence of an event referred to in this Section 8.01.

The provisions of Sections 3.12 and 4.02 and Article 10 shall survive the termination of the Trust and this Declaration.

## ARTICLE 9

### TRANSFER OF INTERESTS

#### Section 9.01. Transfer of Securities.

(a) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Securities. To the fullest extent permitted by law, any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article 9, Preferred Securities shall be freely transferable.

(c) The Holder of the Common Securities may not transfer the Common Securities except (a) in connection with transactions permitted under Section 10.01 of the Indenture, or (b) to the Sponsor or an Affiliate thereof in compliance with applicable law (including the Securities Act and applicable state securities and blue sky laws). To the fullest extent permitted by law, any attempted transfer of the Common Securities other than as set forth in the immediately preceding sentence shall be void.

#### Section 9.02. Transfer of Certificates.

The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other government charges which may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder

upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

Section 9.03. Deemed Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trustees shall have actual or other notice thereof.

Section 9.04. Book Entry Interests.

Unless otherwise specified in the terms of the Preferred Securities, the Preferred Security Certificates, on original issuance, will be issued in the form of one or more, fully registered, global Preferred Security Certificates (each a "Global Certificate"), to be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Trust. Such Global Certificates shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Preferred Security Beneficial Owner will receive a definitive Preferred Security Certificate representing such Preferred Security Beneficial Owner's interests in such Global Certificates, except as provided in Section 9.07. Unless and until definitive, fully registered Preferred Security Certificates (the "Definitive Preferred Security Certificates") have been issued to the Preferred Security Beneficial Owners pursuant to Section 9.07:

(i) the provisions of this Section 9.04 shall be in full force and effect;

(ii) the Trust and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Declaration (including the payment of Distributions on the Global Certificates and receiving approvals, votes or consents hereunder) as the Holder of the Preferred Securities and the sole holder of the Global Certificates and, except as set forth herein in Section 9.07 or in Rule 3a-7 (if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7) with respect to the Property Trustee, shall have no obligation to the Preferred Security Beneficial Owners;

(iii) to the extent that the provisions of this Section 9.04 conflict with any other provisions of this Declaration, the provisions of this Section 9.04 shall control; and

(iv) the rights of the Preferred Security Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Preferred Security Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants. DTC will make book entry transfers among the Clearing Agency Participants and receive and transmit payments of Distributions on the Global Certificates to such Clearing Agency Participants, provided, that solely for the purposes of determining whether the Holders of the requisite amount of Preferred Securities have voted on any matter provided for in this Declaration, so long as definitive Preferred Security Certificates have not been issued (pursuant to Section 9.07 hereof), the Trustees may conclusively rely on, and shall be protected in relying on, any written instrument (including a proxy) delivered to the Trustees by the Clearing Agency setting forth the Preferred Security Beneficial Owners' votes or assigning the right to vote on any matter to any other Persons either in whole or in part.

Section 9.05. Notices to Holders of Certificates.

Whenever a notice or other communication to the Holders is required to be given under this Declaration, unless and until Definitive Preferred Security Certificates shall have been issued pursuant to Section 9.07, the relevant Trustees shall give all such notices and communications, specified herein to be given to Holders of Preferred Securities, to the Clearing Agency and, with respect to any Preferred Security Certificate registered in the name of a Clearing Agency or the nominee of a Clearing Agency, the Trustees shall, except in Rule 3a-7 (if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7) with respect to the Property Trustee, have no notice obligations to the Preferred Security Beneficial Owners.

Section 9.06. Appointment of Successor Clearing Agency.

If any Clearing Agency elects to discontinue its services as securities depository with respect to the Preferred Securities, the Regular Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to the Preferred Securities.

Section 9.07. Definitive Preferred Securities Certificates.

If (i) a Clearing Agency elects to discontinue its services as securities depository with respect to the Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 9.06 or (ii) the Regular Trustees elect after consultation with the Sponsor to terminate the book entry system through the Clearing Agency with respect to

the Preferred Securities, then (x) Definitive Preferred Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Preferred Securities and (y) upon surrender of the Global Certificates by the Clearing Agency, accompanied by registration instructions, the Regular Trustees shall cause Definitive Preferred Security Certificates to be delivered to Preferred Security Beneficial Owners in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on, and shall be protected in relying on, such instructions.

Section 9.08. Mutilated, Destroyed, Lost or Stolen Certificates.

If (a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and (b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them and the Trust harmless, then in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, the Regular Trustees (or if there are more than two Regular Trustees by any two of the Regular Trustees) on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.08, the Regular Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE 10

LIMITATION OF LIABILITY; INDEMNIFICATION

Section 10.01. Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the

Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

(c) Pursuant to (S) 3803(a) of the Business Trust Act, the Holders of Securities, in their capacities as Holders, shall be entitled to the same limitation of liability that is extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

#### Section 10.02. Indemnification.

(a) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless each Indemnified Person from and against any loss, liability, expense, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, liability, expense, damage or claim incurred by such Indemnified Person by reason of gross negligence (or, in the case of the Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) The provisions of this Section 10.02 shall survive the termination of this Declaration or the resignation or removal of any Trustee.

#### Section 10.03. Outside Business.

The Sponsor and any Trustee (in the case of the Property Trustee, subject to Section 5.01(c)) may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. Neither the Sponsor nor any Trustee shall be obligated to present any

particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and the Sponsor or any Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or any of its Affiliates.

#### ARTICLE 11

#### ACCOUNTING

##### Section 11.01. Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

##### Section 11.02. Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States Federal income tax purposes.

(b) If required by applicable law, the Regular Trustees shall, as soon as available after the end of each Fiscal Year of the Trust, cause to be prepared and mailed to each Holder of Securities unaudited financial statements of the Trust for such Fiscal Year, prepared in accordance with generally accepted accounting principles; provided that if the Trust is required to comply with the periodic reporting requirements of Section 13(a) or 15(d) of the Exchange Act, such financial statements for such Fiscal Year shall be examined and reported on by a firm of independent certified public accountants selected by the Regular Trustees (which firm may be the firm used by the Sponsor).

(c) The Regular Trustees shall cause to be duly prepared and mailed to each Holder of Securities any annual United States Federal income tax information statement required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the

Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority an annual United States Federal income tax return, on such form as is required by the Code, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

Section 11.03. Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Property Trustee shall be made directly to the Property Account and no other funds from the Trust shall be deposited in the Property Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Property Trustee shall designate the sole signatories for the Property Account.

Section 11.01. Withholding.

The Trust and the Trustees shall comply with all withholding requirements under United States Federal, State and local law. The Regular Trustees shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Regular Trustees to assist them in determining the extent of, and in fulfilling, the Trust's withholding obligations. The Trust shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to Distributions or allocations to any Holder, the amount withheld shall be deemed to be a Distribution in the amount of the withholding to the Holder. In the event of any claimed overwithholding, Holders shall be limited to an action against the applicable

jurisdiction. If the amount to be withheld was not withheld from a Distribution, the Trust may reduce subsequent Distributions by the amount of such withholding.

## ARTICLE 12

### AMENDMENTS AND MEETINGS

#### Section 12.01. Amendments.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may be amended by, and only by, a written instrument executed by a majority of the Regular Trustees; provided, however, that (i) no amendment or modification to this Declaration shall be made, and any such purported amendment shall be void and ineffective: (A) unless the Regular Trustees shall have first received: (x) an Officers' Certificate that such amendment is permitted by, and conforms to, the terms of this Declaration; and (y) an Opinion of Counsel that such amendment is permitted by, and conforms to, the terms of this Declaration and that all conditions precedent, if any, in this Declaration to the execution and delivery of such amendment have been satisfied; and (B) to the extent the result of such amendment would be to: (x) cause the Trust to fail to continue to be classified for purposes of United States Federal income taxation as a grantor trust; (y) reduce or otherwise adversely affect the rights or powers of the Property Trustee in contravention of the Trust Indenture Act; or (z) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act; (ii) at such time after the Trust has issued any Securities which remain outstanding, any amendment which would adversely affect the rights, privileges or preferences of any Holder of Securities may be effected only with such additional requirements as may be set forth in the terms of such Securities; (iii) Section 4.02, Section 9.01(c) and this Section 12.01 shall not be amended without the consent of all of the Holders of the Securities; (iv) no amendment which adversely affects the rights, powers and privileges of the Property Trustee or the Delaware Trustee shall be made without the consent of the Property Trustee or the Delaware Trustee, respectively; (v) Article 4 shall not be amended without the consent of the Sponsor; and (vi) the rights of the Holders of Common Securities under Article 5 to increase or decrease the number of, and to appoint, replace or remove, Trustees shall not be amended without the consent of each Holder of Common Securities.

(b) Notwithstanding Section 12.02(a), this Declaration may be amended without the consent of the Holders of the Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration, (iii) add to the

covenants, restrictions or obligations of the Sponsor, (iv) conform to any changes in Rule 3a-7 (if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7) or any change in interpretation or application of Rule 3a-7 (if the Trust is excluded from the definition of an Investment Company solely by reason of Rule 3a-7) by the Commission, (v) make any other provisions with respect to matters or questions arising under this Declaration which shall not be inconsistent with the other provisions of this Declaration, (vi) modify, eliminate or add to any provisions of this Declaration to such extent as shall be necessary to ensure that the Trust will be classified for United States federal income tax purposes as a grantor trust at all times that any Securities are outstanding or to ensure that the Trust will not be required to register as an Investment Company under the Investment Company Act, and (vii) pursuant to Section 5.02, evidence the acceptance of the appointment of a successor Trustee or fill a vacancy created by an increase in the number of Regular Trustees, which amendment does not adversely affect in any material respect the rights, preferences or privileges of the Holders.

Section 12.02. Meetings of the Holders of Securities; Action by Written Consent.

(a) Meetings of the Holders of Preferred Securities and/or Common Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which the Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange or automated quotation system on which the Preferred Securities are then listed, traded or quoted. The Regular Trustees shall call a meeting of the Holders of Preferred Securities or Common Securities, if directed to do so by Holders of at least 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Regular Trustees one or more notices in writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those specified Certificates shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provision shall apply to meetings of the Holders of Securities:

(i) Notice of any such meeting shall be given by mail to all the Holders of Securities having a right to vote thereat not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is

permitted or required under this Declaration or the rules of any stock exchange or automated quotation system on which the Preferred Securities are then listed, traded or quoted, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by Holders of Securities owning not less than the minimum aggregate liquidation amount of Securities that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Holders of Securities for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees.

(ii) Each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of a Security is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of the Security executing it. Except as otherwise provided herein or in the terms of the Securities, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation.

(iii) Each meeting of the Holders of the Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate.

(iv) Unless otherwise provided in the Business Trust Act, this Declaration or the rules of any stock exchange or automated quotation system on which the Preferred Securities are then listed, traded or quoted, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE 13

REPRESENTATIONS OF THE PROPERTY TRUSTEE AND THE DELAWARE TRUSTEE

Section 13.01. Representations and Warranties of the Property Trustee.

The Trustee which acts as the initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as the Property Trustee that:

(i) The Property Trustee is a national banking association or a banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of the United States or the laws of the state of its incorporation, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(ii) The execution, delivery and performance by the Property Trustee of this Declaration have been duly authorized by all necessary corporate action on the part of the Property Trustee. This Declaration has been duly executed and delivered by the Property Trustee, and constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(iii) The execution, delivery and performance of this Declaration by the Property Trustee does not conflict with or constitute a breach of the charter or by-laws of the Property Trustee.

(iv) No consent, approval or authorization of, or registration with or notice to, any banking authority which supervises or regulates the Property Trustee is required for the execution, delivery or performance by the Property Trustee of this Declaration.

(v) The Property Trustee satisfies the qualifications set forth in Section 5.01(c).

Section 13.02. Representations and Warranties of the Delaware Trustee.

The Trustee which acts as the initial Delaware Trustee represents and warrants to the Trust and the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as the Delaware Trustee, that:

(i) The Delaware Trustee is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with corporate power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(ii) The execution, delivery and performance by the Delaware Trustee of this Declaration have been duly authorized by all necessary corporate action on the part of the Delaware Trustee. This Declaration has been duly executed and delivered by the Delaware Trustee and constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(iii) No consent, approval or authorization of, or registration with or notice to, any banking authority which supervises or regulates the Delaware Trustee, if any, is required for the execution, delivery or performance by the Delaware Trustee of this Declaration.

(iv) The Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and is a Person that satisfies for the Trust (S) 3807(a) of the Business Trust Act.

ARTICLE 14

MISCELLANEOUS

Section 14.01. Notices.

All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Regular Trustees on behalf of the Trust may give notice of to the Holders of the Securities):

REI Trust I  
c/o Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002  
Attention: Treasurer  
Telecopy: (713) 207-3301

(b) if given to the Property Trustee, at the mailing address of the Property Trustee set forth below (or such other address as the Property Trustee may give notice of to the Holders of the Securities):

101 Barclay Street  
Floor 21 West  
New York, New York 10286  
Attention: Corporate Trust Trustee Administration  
Telecopy: (212) 815-5915

(c) if given to the Delaware Trustee, at the mailing address of the Delaware Trustee set forth below (or such other address as the Delaware Trustee may give notice of to the Holders of the Securities):

White Clay Center  
Route 273  
Newark, Delaware 19711  
Attention: Corporate Trust Department

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice of to the Trust):

Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002  
Attention: Treasurer  
Telecopy: (713) 207-3301

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

A copy of any notice to the Property Trustee or the Delaware Trustee shall also be sent to the Trust. All notices shall be deemed to have been given, when

received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

#### Section 14.02. Undertaking for Costs.

All parties to this Declaration agree, and each Holder of any Securities by his or her acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Declaration, or in any suit against the Property Trustee for any action taken or omitted by it as Property Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 14.02 shall not apply to any suit instituted by the Property Trustee, to any suit instituted by any Holder of Preferred Securities, or group of Holders of Preferred Securities, holding more than 10% in aggregate liquidation amount of the outstanding Preferred Securities, or to any suit instituted by any Holder of Preferred Securities for the enforcement of the payment of the principal of (or premium, if any) or interest on the Debentures, on or after the respective due dates expressed in such Debentures.

#### Section 14.03. Governing Law.

This Declaration, the Securities and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

#### Section 14.04. Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

#### Section 14.05. Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to Persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 14.06. Counterparts.

This Declaration may contain more than one counterpart of the signature pages and this Declaration may be executed by the affixing of the signature of the Sponsor and each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

Section 14.07. Intention of the Parties.

It is the intention of the parties hereto that the Trust not be classified for United States Federal income tax purposes as an association taxable as a corporation or partnership but that the Trust be treated as a grantor trust for United States federal income tax purposes. The provisions of this Declaration shall be interpreted to further this intention of the parties.

Section 14.08. Successors and Assigns.

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

Section 14.09. No Recourse.

The Trust's obligations hereunder are intended to be the obligations of the Trust and no recourse for the payment of Distributions, or for any claim upon the Securities or otherwise in respect thereof, shall be had against any Holder of Securities or any Affiliate of a Holder of Securities, solely by reason of such Person's being a Holder of Securities or an Affiliate of a Holder of Securities, it being understood that the Holder of Securities, solely by reason of being a Holder of Securities, has limited liability (in accordance with the provisions of the Business Trust Act) for the liabilities and obligations of the Trust. Nothing contained in this Section 14.09 shall be construed to limit the exercise or enforcement, in accordance with the terms of this Declaration, the Preferred Securities Guarantee and the Indenture, of the rights and remedies against the Trust or the Sponsor.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

HOUSTON INDUSTRIES INCORPORATED, d/b/a  
RELIANT ENERGY, INCORPORATED  
as Sponsor

By: /s/ Marc Kilbride

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Name: Marc Kilbride  
Title: Treasurer

/s/ Linda Geiger

-----  
Linda Geiger,  
as Regular Trustee

/s/ Paul A. Castanon

-----  
Paul A. Castanon,  
as Regular Trustee

/s/ William T. Massar

-----  
William T. Massar,  
as Regular Trustee

THE BANK OF NEW YORK,  
as Property Trustee

By: /s/ Remo J. Reale

-----  
Name: Remo J. Reale  
Title: Assistant Vice President

THE BANK OF NEW YORK (DELAWARE),  
as Delaware Trustee

By: /s/ Walter N. Gitlin

-----  
Name: Walter N. Gitlin  
Title: Authorized Signatory

CERTIFICATE OF TRUST

OF

HI TRUST I

THIS CERTIFICATE OF TRUST of HI Trust I (the "Trust"), dated as of January 8, 1999, is being duly executed and filed by the undersigned, as trustees, with the Secretary of State of the State of Delaware to form a business trust under the Delaware Business Trust Act (12 Del. Code (S) 3801 et seq.).

1. Name. The name of the business trust being formed hereby is HI Trust I.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are The Bank of New York (Delaware), a Delaware banking corporation, White Clay Center, Route 273, Newark, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective at the time of its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being all of the trustees of the Trust at the time of filing this Certificate of Trust, have executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Delaware Trustee

By: /s/ Walter N. Gitlin  
-----

Name: Walter N. Gitlin  
Title: Authorized Signatory

THE BANK OF NEW YORK,  
as Property Trustee

By: /s/ Remo J. Reale  
-----

Name: Remo J. Reale  
Title: Assistant Vice President

WILLIAM T. MASSAR  
as Regular Trustee

By: /s/ William T. Massar  
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CERTIFICATE OF AMENDMENT OF  
CERTIFICATE OF TRUST  
OF  
HI TRUST I

THIS CERTIFICATE OF AMENDMENT OF CERTIFICATE OF TRUST of HI Trust I (the "Trust") is being duly executed and filed on behalf of the Trust by the undersigned, as trustee, to amend the Certificate of Trust of the Trust, which was filed with the Secretary of State of the State of Delaware on January 11, 1999, under the Delaware Business Trust Act (12 Del. Code (S) 3801 et seq.) (the "Act").

1. Name. The name of the Trust is HI Trust I.
2. Amendment of Certificate of Trust. The Certificate of Trust of the Trust is hereby amended by changing the name of the Trust to REI Trust I.
3. Effective Date. This Certificate of Amendment shall be effective upon filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Trust in accordance with Section 3811(a)(2) of the Act.

WILLIAM T. MASSAR,  
not in his individual capacity, but solely as trustee

/s/ William T. Massar  
-----  
William T. Massar

TERMS OF  
PREFERRED SECURITIES

Pursuant to Section 7.01(b) of the Amended and Restated Declaration of Trust of REI Trust I dated as of February 26, 1999 (as amended from time to time, the "Declaration"), the designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth below (each capitalized term used but not defined herein having the meaning set forth in the Declaration):

1. DESIGNATION AND NUMBER. Fifteen million (15,000,000) Preferred Securities of the Trust with an aggregate liquidation amount at any time outstanding with respect to the assets of the Trust of Three Hundred Seventy-Five Million Dollars (\$375,000,000) and each with a liquidation amount with respect to the assets of the Trust of \$25 per Preferred Security, are hereby designated as "7.20% Trust Originated Preferred Securities, Series C". The Preferred Security Certificates evidencing the Preferred Securities shall be substantially in the form attached hereto as Annex I, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange or automated quotation system on which the Preferred Securities are then listed, traded or quoted. In connection with the issuance and sale of the Preferred Securities and the Common Securities, the Trust will purchase as trust assets Debentures of Reliant Energy having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and the Common Securities so issued, and bearing interest at an annual rate equal to the annual Distribution rate on the Preferred Securities and the Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Preferred Securities and the Common Securities.

2. DISTRIBUTIONS. (a) Distributions payable on each Preferred Security will be fixed at a rate per annum of 7.20% (the "Coupon Rate") of the stated liquidation amount of \$25 per Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one calendar quarter will accumulate additional distributions thereon at the Coupon Rate per annum (to the extent permitted by applicable law), compounded quarterly. The term "Distributions" as used herein means such periodic cash distributions and any such additional distributions payable unless otherwise stated. A Distribution will be made by the Property Trustee only to the extent that interest payments are made in respect of the Debentures held by the Property Trustee and to the extent the Trust has funds

on hand legally available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 90-day quarter.

(b) Distributions on the Preferred Securities will accumulate from February 26, 1999 and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1999, except as otherwise described below, but only if and to the extent that interest payments are made in respect of the Debentures held by the Property Trustee. So long as Reliant Energy shall not be in default in the payment of interest on the Debentures, Reliant Energy has the right under the Indenture for the Debentures to defer payments of interest on the Debentures by extending the interest payment period at any time and from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each, an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures. As a consequence of such deferral, Distributions shall also be deferred. Despite such deferral, Distributions will continue to accumulate with additional distributions thereon (to the extent permitted by applicable law but not at a rate greater than the rate at which interest is then accruing on the Debentures) at the Coupon Rate compounded quarterly during any such Extension Period; provided that no Extension Period shall extend beyond the stated maturity of the Debentures. Prior to the termination of any such Extension Period, Reliant Energy may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extension Period and the payment of all amounts then due, Reliant Energy may commence a new Extension Period, subject to the above requirements. On the Distribution payment date at the end of an Extension Period, payments of accumulated Distributions will be payable to Holders of Preferred Securities as they appear on the books and records of the Trust (regardless of who the Holders may have been on other dates during the Extension Period) on the record date for such Distribution payment date.

(c) Distributions on the Preferred Securities will be payable promptly by the Property Trustee (or other Paying Agent) upon receipt of immediately available funds to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. While the Preferred Securities remain in book-entry only form, the relevant record dates shall be one business day prior to the relevant Distribution date, and

if the Preferred Securities are no longer in book-entry only form, the relevant record dates will be the fifteenth (15th) day of the month prior to the relevant Distribution date, which record and payment dates correspond to the record and interest payment dates on the Debentures. Distributions payable on any Preferred Securities that are not punctually paid on any Distribution payment date as a result of Reliant Energy' having failed to make the corresponding interest payment on the Debentures will forthwith cease to be payable to the person in whose name such Preferred Security is registered on the relevant record date, and such defaulted Distribution will instead be payable to the person in whose name such Preferred Security is registered on the special record date established by the Regular Trustees, which record date shall correspond to the special record date or other specified date determined in accordance with the Indenture; provided, however, that Distributions shall not be considered payable on any Distribution payment date falling within an Extension Period unless Reliant Energy has elected to make a full or partial payment of interest accrued on the Debentures on such Distribution payment date. Subject to any applicable laws and regulations and the provisions of the Declaration, each payment in respect of the Preferred Securities will be made as described in section 8 hereof. If any date on which Distributions are payable on the Preferred Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. Notwithstanding anything herein to the contrary, the record dates and payment dates for Distributions shall be the same as the record dates and payment dates for the Debentures.

(d) All Distributions paid with respect to the Preferred Securities and the Common Securities will be paid Pro Rata (as defined below) to the Holders thereof entitled thereto. If an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to Distributions.

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for under the Declaration, such money or property shall be distributed Pro Rata among the Holders of the Preferred Securities and the Common Securities.

3. LIQUIDATION DISTRIBUTION UPON DISSOLUTION. (a) In the event of any voluntary or involuntary dissolution of the Trust, the Holders of the Preferred Securities and the Common Securities will be entitled to receive Pro Rata solely

out of the assets of the Trust legally available for distribution to Holders of Preferred Securities and Common Securities after satisfaction of liabilities to the creditors of the Trust, an amount equal to the aggregate of the stated liquidation amount of \$25 per Preferred Security and Common Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, and after satisfaction of liabilities to the creditors of the Trust, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Preferred Securities and the Common Securities and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on, such Preferred Securities and the Common Securities, shall be distributed Pro Rata to the Holders of the Preferred Securities and the Common Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets on hand legally available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Preferred Securities and the Common Securities shall be paid, subject to the next paragraph, on a Pro Rata basis.

Holders of Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution Pro Rata with Holders of Preferred Securities, except that if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to such Liquidation Distribution.

(b) The Holder of the Common Securities shall have the right to direct the Property Trustee in writing at any time to dissolve the Trust and to distribute Debentures to Holders in exchange for Securities (which direction is optional and wholly within the discretion of the Holder of the Common Securities). Upon the receipt of any such written direction, the Property Trustee shall promptly (i) distribute Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of the Preferred Securities and the Common Securities held by each Holder, which Debentures bear accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on the Preferred Securities and the Common Securities of such Holder, in exchange for the Preferred Securities and Common Securities of such Holder and (ii) dissolve the Trust.

(c) On the date fixed for any distribution of Debentures, upon dissolution of the Trust, (i) the Preferred Securities will no longer be deemed to be outstanding and may be canceled by the Regular Trustees, and (ii) Certificates representing Preferred Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid interest equal to

accumulated and unpaid Distributions on, such Preferred Securities until such Certificates are presented to Reliant Energy or its agent for transfer or reissuance.

(d) If Debentures are distributed to Holders of the Preferred Securities, Reliant Energy, pursuant to the terms of the Indenture, will use its best efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Preferred Securities were listed immediately prior to the distribution of the Debentures.

4. REDEMPTION OF DEBENTURES. The Preferred Securities may be redeemed only if Debentures having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and the Common Securities are repaid or redeemed as set forth below:

(a) Upon the repayment of the Debentures, in whole or in part, whether at maturity, upon redemption at any time or from time to time on or after February 26, 2004, the proceeds of such repayment will be promptly applied to redeem Pro Rata Preferred Securities and Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed, upon not less than 30 nor more than 60 days' notice, at a redemption price of \$25 per Preferred Security and Common Security plus an amount equal to accumulated and unpaid Distributions thereon to, but excluding, the date of redemption, payable in cash (the "Redemption Price"). The date of any such repayment or redemption of Preferred Securities and Common Securities shall be established to coincide with the repayment or redemption date of the Debentures.

(b) If fewer than all the outstanding Preferred Securities and Common Securities are to be so redeemed, the Preferred Securities and the Common Securities will be redeemed Pro Rata and the Preferred Securities will be redeemed as described in section 4(f)(ii) below. If a partial redemption would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed or traded, Reliant Energy pursuant to the Indenture will redeem Debentures only in whole and, as a result, the Trust may redeem the Preferred Securities only in whole.

(c) If, at any time, a Tax Event or an Investment Company Event (each as hereinafter defined, and each, a "Special Event") shall occur and be continuing, Reliant Energy shall have the right at any time, upon not less than 30 nor more than 60 days' notice, to redeem the Debentures in whole or in part for cash at the Redemption Price within 90 days following the occurrence of such Special Event, and promptly following such redemption, Preferred Securities and Common Securities with an

aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed will be redeemed by the Trust at the Redemption Price on a Pro Rata basis. The Common Securities will be redeemed Pro Rata with the Preferred Securities, except that if an Event of Default has occurred and is continuing, the Preferred Securities will have a priority over the Common Securities with respect to payment of the Redemption Price.

"Tax Event" means that the Sponsor and the Regular Trustees shall have received an Opinion of Counsel experienced in such matters to the effect that on or after February 23, 1999 as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement by any legislative body, court, governmental agency or regulatory authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after February 23, 1999, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by Reliant Energy to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible by Reliant Energy for United States Federal income tax purposes.

"Investment Company Event" means that the Sponsor and the Regular Trustees shall have received an Opinion of Counsel experienced in practice under the Investment Company Act that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in Investment Company Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act, which Change in Investment Company Act Law becomes effective on or after February 23, 1999.

(d) The Trust may not redeem fewer than all the outstanding Preferred Securities unless all accumulated and unpaid Distributions have

been paid on all Preferred Securities for all quarterly Distribution periods terminating on or prior to the date of redemption.

(e) [Intentionally omitted.]

(f) (i) Notice of any redemption of, or notice of distribution of Debentures in exchange for, the Preferred Securities and the Common Securities (a "Redemption/Distribution Notice") will be given by the Regular Trustees on behalf of the Trust by mail to each Holder of Preferred Securities and Common Securities to be redeemed or exchanged not less than 30 nor more than 60 days prior to the date fixed for redemption or exchange thereof. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this section 4(f) (i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Preferred Securities and Common Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Preferred Securities and Common Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Preferred Securities are to be redeemed, the Preferred Securities to be redeemed will be redeemed Pro Rata from each Holder of Preferred Securities, it being understood that, in respect of Preferred Securities registered in the name of and held of record by DTC (or successor Clearing Agency) or any other nominee, the Preferred Securities will be redeemed from, and the distribution of the proceeds of such redemption will be made to, DTC (or successor Clearing Agency).

(iii) Subject to section 8 hereof, if the Trust gives a Redemption/Distribution Notice in respect of a redemption of Preferred Securities as provided in this section 4 then (A) while the Preferred Securities are in book-entry only form, with respect to the Preferred Securities, by 12:00 noon, New York City time, on the redemption date, provided that Reliant Energy has paid the Property Trustee, in immediately available funds, a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will deposit irrevocably with DTC (or successor Clearing Agency) funds sufficient to pay the applicable Redemption Price with respect to the Preferred Securities and will give DTC (or successor Clearing

Agency) irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preferred Securities and (B) if the Preferred Securities are issued in definitive form, with respect to the Preferred Securities and provided that Reliant Energy has paid the Property Trustee, in immediately available funds, a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will pay the relevant Redemption Price to the Holders of such Preferred Securities by check mailed to the address of the relevant Holder appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the redemption date, Distributions will cease to accumulate on the Preferred Securities called for redemption, such Preferred Securities will no longer be deemed to be outstanding and all rights of Holders of such Preferred Securities so called for redemption will cease, except the right of the Holders of such Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Preferred Securities which have been so called for redemption. If any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Property Trustee or by Reliant Energy pursuant to the Preferred Securities Guarantee, Distributions on such Preferred Securities will continue to accumulate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to DTC or its nominee (or any successor Clearing Agency or its nominee) if the Global Certificates have been issued or, if Definitive Preferred Security Certificates have been issued, to the Holders of the Preferred Securities.

(v) Subject to the foregoing and applicable law (including, without limitation, United States Federal securities laws), Reliant Energy or any of its Affiliates may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

5. VOTING RIGHTS. (a) Except as provided under section 5(b) below and as otherwise required by law and the Declaration, the Holders of the Preferred Securities will have no voting rights.

(b) If any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration, other than as described in Section 12.01(b) of the Declaration or section 3 of Exhibit B, or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.01 of the Declaration, then the Holders of outstanding Securities will be entitled to vote on such amendment or proposal as a single class and such amendment or proposal shall not be effective except with the approval of the Holders of Securities of at least a Majority in liquidation amount of the Securities, voting together as a single class; provided, however, that (A) if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or the Common Securities, then only the affected class of Securities will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a Majority in liquidation amount of such class of Securities and (B) amendments to the Declaration shall be subject to such further requirements as are set forth in Sections 12.01 and 12.02 of the Declaration.

In the event the consent of the Property Trustee, as the holder of the Debentures, is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Property Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination. The Property Trustee shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where such amendment, modification or termination of the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Property Trustee may only vote with respect to that amendment, modification or termination as directed by, in the case of clause (1) above, the vote of Holders of Securities representing such specified percentage of the aggregate liquidation amount of the

Securities, or, in the case of clause (2) above, each Holder of Securities; and provided, further, that the Property Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of Securities unless the Property Trustee shall have received, at the expense of the Sponsor, an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified for United States Federal income tax purposes as other than a grantor trust on account of such action.

So long as any Debentures are held by the Property Trustee, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee of the Indenture (the "Debenture Trustee"), or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default that is waivable under Section 6.06 of the Indenture or (iii) exercise any right to rescind or annul a declaration of acceleration of the maturity of the principal of the Debentures, without, in each case, obtaining the prior approval of the Holders of a Majority in liquidation amount of all outstanding Preferred Securities and Common Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of the Preferred Securities except by subsequent vote of such Holders. The Property Trustee shall notify each Holder of Preferred Securities of any notice of default with respect to the Debentures.

If an Event of Default has occurred and is continuing, then the Holders of a Majority in liquidation amount of the Preferred Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the Debentures. If the Property Trustee fails to enforce its rights under the Debentures, a Holder of Preferred Securities, to the extent permitted by applicable law, may, after a period of 30 days has elapsed since such Holder's written request to the Property Trustee to enforce such rights, institute a legal proceeding directly against the Sponsor to enforce the Property Trustee's rights under the Debentures without first instituting any legal proceeding against the Property Trustee or any other Person; provided further, that, if an Event of Default has occurred and is continuing and such event is attributed to the failure of the Sponsor to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Preferred Securities of such Holder (a "Holder Direct Action") on or after the respective due date specified in the Debentures. In connection with such Holder Direct Action, the Sponsor will be subrogated to the rights of such Holder of Preferred Securities to the extent of any payment made by the Sponsor to such Holders of Preferred

Securities in such Holder Direct Action. Except as provided in the preceding sentences, the Holders of Preferred Securities will not be able to exercise directly any other remedy available to the Holders of the Debentures.

A waiver of an Indenture Event of Default by the Property Trustee at the direction of the Holders of the Preferred Securities will constitute a waiver of the corresponding Event of Default under the Declaration in respect of the Securities.

Any required approval or direction of Holders of Preferred Securities may be given at a separate meeting of Holders of Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Preferred Securities are entitled to vote to be mailed to each Holder of record of Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote and (iii) instructions for the delivery of proxies.

No vote or consent of the Holders of Preferred Securities will be required for the Trust to redeem and cancel Preferred Securities or to distribute the Debentures in accordance with the Declaration.

Notwithstanding that Holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities at such time that are owned by Reliant Energy or by any Affiliate of Reliant Energy shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Holders of the Preferred Securities have no rights to increase or decrease the number of Trustees or to appoint, remove or replace a Trustee, which voting rights are vested exclusively in the Holders of the Common Securities.

6. PRO RATA TREATMENT. A reference in these terms of the Preferred Securities to any payment, Distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Preferred Securities pro rata according to the aggregate liquidation amount of Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common

Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

7. RANKING. The Preferred Securities rank pari passu and payment thereon will be made Pro Rata with the Common Securities, except that when an Event of Default occurs and is continuing, the rights of Holders of Preferred Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise rank in priority to the rights of Holders of the Common Securities.

8. TRANSFER, EXCHANGE, METHOD OF PAYMENTS. Payment of Distributions and payments on redemption of the Preferred Securities will be payable, the transfer of the Preferred Securities will be registrable, and Preferred Securities will be exchangeable for Preferred Securities of other denominations of a like aggregate liquidation amount, at the principal corporate trust office of the Property Trustee in The City of New York; provided that payment of Distributions may be made at the option of the Regular Trustees on behalf of the Trust by check mailed to the address of the persons entitled thereto and that the payment on redemption of any Preferred Security will be made only upon surrender of such Preferred Security to the Property Trustee.

9. ACCEPTANCE OF INDENTURE AND PREFERRED SECURITIES GUARANTEE. Each Holder of Preferred Securities, by the acceptance thereof, agrees to the provisions of (i) the Preferred Securities Guarantee, including the subordination provisions therein, and (ii) the Indenture and the Debentures, including the subordination provisions of the Indenture.

10. NO PREEMPTIVE RIGHTS. The Holders of Preferred Securities shall have no preemptive or similar rights to subscribe to any additional Preferred Securities or Common Securities.

11. MISCELLANEOUS. These terms shall constitute a part of the Declaration. The Trust will provide a copy of the Declaration and the Indenture to a Holder of Preferred Securities without charge on written request to the Trust at its principal place of business.

FORM OF PREFERRED SECURITY CERTIFICATE

[IF THE PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE INSERT - THIS PREFERRED SECURITY IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE DECLARATION HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY ("DTC") OR A NOMINEE OF DTC. THIS PREFERRED SECURITY IS EXCHANGEABLE FOR PREFERRED SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN DTC OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE DECLARATION AND NO TRANSFER OF THIS PREFERRED SECURITY (OTHER THAN A TRANSFER OF THIS PREFERRED SECURITY AS A WHOLE BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS PREFERRED SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO REI TRUST I OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY PREFERRED SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

Certificate Number      Number of Preferred Securities: -----

-----  
Aggregate Liquidation Amount: \$ -----

CUSIP NO. -----

Certificate Evidencing Preferred Securities

of

REI Trust I

7.20% Trust Originated Preferred Securities, Series C  
(liquidation amount \$25 per Preferred Security)

REI Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of \_\_\_\_\_ (\_\_\_\_\_) preferred securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust and designated the 7.20% Trust Originated Preferred Securities, Series C (liquidation amount \$25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this Certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth in, and this Certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Declaration of Trust of the Trust dated as of February 26, 1999, as the same may be amended from time to time (the "Declaration") including the designation of the terms of Preferred Securities as set forth in Exhibit B thereto. The Preferred Securities and the Common Securities issued by the Trust pursuant to the Declaration represent undivided beneficial interests in the assets of the Trust, including the Debentures (as defined in the Declaration) issued by Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a Texas corporation ("Reliant Energy"), to the Trust pursuant to the Indenture referred to in the Declaration. The Holder is entitled to the benefits of the Guarantee Agreement of Reliant Energy dated as of February 26, 1999, as the same may be amended from time to time (the "Guarantee") to the extent provided therein. The Trust will furnish a copy of the Declaration, the Guarantee and the Indenture to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

The Holder of this Certificate, by accepting this Certificate, is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all Senior Debt (as defined in the Indenture) as and to the extent provided in the Indenture, and (ii) agreed to the terms of the Guarantee, including that the Guarantee is subordinate and junior in right of payment to all other liabilities of Reliant Energy, including the Debentures, except those made pari passu or subordinate by their terms, and senior to all capital stock (other than the most senior preferred stock issued, from time to time, if any, by Reliant Energy, which preferred stock will rank pari passu with the Guarantee) now or hereafter issued by Reliant Energy and to any guarantee now or hereafter entered into by Reliant Energy in respect of any of its capital stock (other than the most senior preferred stock issued, from time to time, if any, by Reliant Energy).

Upon receipt of this Certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, Trustees of the Trust have executed this Certificate.

REI TRUST I

By: \_\_\_\_\_, as Regular Trustee  
Name:  
Title: Regular Trustee

By: \_\_\_\_\_, as Regular Trustee  
Name:  
Title: Regular Trustee

Dated:

Countersigned and Registered:

Transfer Agent and Registrar

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Preferred Security will be fixed at a rate per annum of 7.20% (the "Coupon Rate") of the stated liquidation amount of \$25 per Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one calendar quarter will accumulate additional distributions thereon at the Coupon Rate per annum (to the extent permitted by applicable law), compounded quarterly. The term "Distributions" as used herein means such periodic cash distributions and any such additional distributions payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Trust has funds on hand legally available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 90-day quarter.

Distributions on the Preferred Securities will accumulate from February 26, 1999, and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1999, but only if and to the extent that interest payments are made in respect of the Debentures held by the Property Trustee. So long as Reliant Energy shall not be in default in the payment of interest on the Debentures, Reliant Energy has the right under the Indenture for the Debentures to defer payments of interest on the Debentures by extending the interest payment period at any time and from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures. As a consequence of such deferral, Distributions shall also be deferred. Despite such deferral, Distributions will continue to accumulate with additional distributions thereon (to the extent permitted by applicable law but not at a rate greater than the rate at which interest is then accruing on the Debentures) at the Coupon Rate compounded quarterly during any such Extension Period; provided that no Extension Period shall extend beyond the stated maturity of the Debentures. Prior to the termination of any such Extension Period, Reliant Energy may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extension Period and the payment of all amounts then due, Reliant Energy may commence a new Extension Period, subject to the above requirements. On the Distribution payment date at the end of the Extension Period, payments of accumulated Distributions will be payable to Holders of Preferred Securities as they appear on the books and records of the Trust

(regardless of who the Holders may have been on other dates during the Extension Period) on the record date for such Distribution payment date.

The Preferred Securities shall be redeemable as provided in the Declaration.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security Certificate to:

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(Insert assignee's social security or tax identification number)

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(Insert address and zip code of assignee)

and irrevocably appoints

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agent to transfer this Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S)  
AS WRITTEN UPON THE FACE OF THIS PREFERRED SECURITY CERTIFICATE IN EVERY  
PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

TERMS OF  
COMMON SECURITIES

Pursuant to Section 7.01(b) of the Amended and Restated Declaration of Trust of REI Trust I dated as of February 26, 1999 (as amended from time to time, the "Declaration"), the designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth below (each capitalized term used but not defined herein having the meaning set forth in the Declaration):

1. DESIGNATION AND NUMBER. Four hundred, sixty-three thousand, nine hundred twenty (463,920) Common Securities of the Trust with an aggregate liquidation amount at any time outstanding with respect to the assets of the Trust of Eleven Million, Five Hundred Ninety-Eight Thousand Dollars (\$11,598,000), and each with a liquidation amount with respect to the assets of the Trust of \$25 per Common Security, are hereby designated as "7.20% Trust Originated Common Securities, Series C". The Common Security Certificates evidencing the Common Securities shall be substantially in the form attached hereto as Annex I, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice. In connection with the issuance and sale of the Preferred Securities and the Common Securities, the Trust will purchase as trust assets Debentures of Reliant Energy having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and the Common Securities so issued, and bearing interest at an annual rate equal to the annual Distribution rate on the Preferred Securities and the Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Preferred Securities and the Common Securities.

2. DISTRIBUTIONS. (a) Distributions payable on each Common Security will be fixed at a rate per annum of 7.20% (the "Coupon Rate") of the stated liquidation amount of \$25 per Common Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one calendar quarter will accumulate additional distributions thereon at the Coupon Rate per annum (to the extent permitted by applicable law), compounded quarterly. The term "Distributions" as used herein means such periodic cash distributions and any such additional distributions payable unless otherwise stated. A Distribution will be made by the Property Trustee only to the extent that interest payments are made in respect of the Debentures held by the Property Trustee and to the extent the Trust has funds on hand legally available therefor. The amount of Distributions payable for any

period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 90-day quarter.

(b) Distributions on the Common Securities will accumulate from February 26, 1999 and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1999, except as otherwise described below, but only if and to the extent that interest payments are made in respect of the Debentures held by the Property Trustee. So long as Reliant Energy shall not be in default in the payment of interest on the Debentures, Reliant Energy has the right under the Indenture for the Debentures to defer payments of interest on the Debentures by extending the interest payment period at any time and from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each, an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures. As a consequence of such deferral, Distributions shall also be deferred. Despite such deferral, Distributions will continue to accumulate with additional distributions thereon (to the extent permitted by applicable law but not at a rate greater than the rate at which interest is then accruing on the Debentures) at the Coupon Rate compounded quarterly during any such Extension Period; provided that no Extension Period shall extend beyond the stated maturity of the Debentures. Prior to the termination of any such Extension Period, Reliant Energy may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extension Period and the payment of all amounts then due, Reliant Energy may commence a new Extension Period, subject to the above requirements. On the Distribution payment date at the end of the Extension Period, payments of accumulated Distributions will be payable to Holders of Common Securities as they appear on the books and records of the Trust (regardless of who the Holders may have been on other dates during the Extension Period) on the record date for such Distribution payment date.

(c) Distributions on the Common Securities will be payable promptly by the Property Trustee (or other Paying Agent) upon receipt of immediately available funds to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. While the Preferred Securities remain in book-entry only form, the relevant record dates for the Common Securities shall be one business day prior to the relevant Distribution date, and if the Preferred Securities are no longer in

book-entry only form, the relevant record dates for the Common Securities will be the fifteenth (15th) day of the month prior to the relevant Distribution date, which record and payment dates correspond to the record and interest payment dates on the Debentures. Distributions payable on any Common Securities that are not punctually paid on any Distribution payment date as a result of Reliant Energy' having failed to make the corresponding interest payment on the Debentures will forthwith cease to be payable to the person in whose name such Common Security is registered on the relevant record date, and such defaulted Distribution will instead be payable to the person in whose name such Common Security is registered on the special record date established by the Regular Trustees, which record date shall correspond to the special record date or other specified date determined in accordance with the Indenture; provided, however, that Distributions shall not be considered payable on any Distribution payment date falling within an Extension Period unless Reliant Energy has elected to make a full or partial payment of interest accrued on the Debentures on such Distribution payment date. Subject to any applicable laws and regulations and the provisions of the Declaration, each payment in respect of the Common Securities will be made as described in section 8 hereof. If any date on which Distributions are payable on the Common Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. Notwithstanding anything herein to the contrary, the record dates and payment dates for Distributions shall be the same as the record dates and payment dates for the Debentures.

(d) All Distributions paid with respect to the Common Securities and the Preferred Securities will be paid Pro Rata (as defined below) to the Holders thereof entitled thereto. If an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to Distributions.

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for under the Declaration, such money or property shall be distributed Pro Rata among the Holders of the Preferred Securities and the Common Securities.

3. LIQUIDATION DISTRIBUTION UPON DISSOLUTION. (a) In the event of any voluntary or involuntary dissolution of the Trust, the Holders of the Preferred Securities and the Common Securities will be entitled to receive Pro Rata solely

out of the assets of the Trust legally available for distribution to Holders of Preferred Securities and Common Securities after satisfaction of liabilities to the creditors of the Trust, an amount equal to the aggregate of the stated liquidation amount of \$25 per Preferred Security and Common Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, and after satisfaction of liabilities to the creditors of the Trust, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Preferred Securities and the Common Securities and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on, such Preferred Securities and the Common Securities, shall be distributed Pro Rata to the Holders of the Preferred Securities and the Common Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets on hand legally available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Preferred Securities and the Common Securities shall be paid, subject to the next paragraph, on a Pro Rata basis.

Holders of Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution Pro Rata with Holders of Preferred Securities, except that if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to such Liquidation Distribution.

(b) The Holder of the Common Securities shall have the right to direct the Property Trustee in writing at any time to dissolve the Trust and to distribute Debentures to Holders in exchange for Securities (which direction is optional and wholly within the discretion of the Holder of the Common Securities). Upon the receipt of any such written direction, the Property Trustee shall promptly (i) distribute Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of the Preferred Securities and the Common Securities held by each Holder, which Debentures bear accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on the Preferred Securities and the Common Securities of such Holder, in exchange for the Preferred Securities and Common Securities of such Holder and (ii) dissolve the Trust.

(c) On the date fixed for any distribution of Debentures, upon dissolution of the Trust, (i) the Common Securities will no longer be deemed to be outstanding and may be canceled by the Regular Trustees, and (ii) Certificates representing Common Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid interest equal to

accumulated and unpaid Distributions on, such Common Securities until such Certificates are presented to Reliant Energy or its agent for transfer or reissuance.

4. REDEMPTION OF DEBENTURES. The Common Securities may be redeemed only if Debentures having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and the Common Securities are repaid or redeemed as set forth below:

(a) Upon the repayment of the Debentures, in whole or in part, whether at maturity, upon redemption at any time or from time to time on or after February 26, 2004, the proceeds of such repayment will be promptly applied to redeem Pro Rata Preferred Securities and Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed, upon not less than 30 nor more than 60 days' notice, at a redemption price of \$25 per Preferred Security and Common Security plus an amount equal to accumulated and unpaid Distributions thereon to, but excluding, the date of redemption, payable in cash (the "Redemption Price"). The date of any such repayment or redemption of Preferred Securities and Common Securities shall be established to coincide with the repayment or redemption date of the Debentures.

(b) If fewer than all the outstanding Preferred Securities and Common Securities are to be so redeemed, the Preferred Securities and the Common Securities will be redeemed Pro Rata and the Common Securities will be redeemed as described in section 4(e)(ii) below. If a partial redemption would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed or traded, Reliant Energy pursuant to the Indenture will redeem Debentures only in whole and, as a result, the Trust may redeem the Common Securities only in whole.

(c) If, at any time, a Tax Event or an Investment Company Event (each as hereinafter defined, and each, a "Special Event") shall occur and be continuing, Reliant Energy shall have the right at any time, upon not less than 30 nor more than 60 days' notice, to redeem the Debentures in whole or in part for cash at the Redemption Price within 90 days following the occurrence of such Special Event, and promptly following such redemption, Preferred Securities and Common Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed will be redeemed by the Trust at the Redemption Price on a Pro Rata basis. The Common Securities will be redeemed Pro Rata with the Preferred Securities, except that if an Event of Default has occurred and is continuing, the Preferred Securities will have a

priority over the Common Securities with respect to payment of the Redemption Price.

"Tax Event" means that the Sponsor and the Regular Trustees shall have received an Opinion of Counsel experienced in such matters to the effect that on or after February 23, 1999 as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement by any legislative body, court, governmental agency or regulatory authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after February 23, 1999, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by Reliant Energy to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible by Reliant Energy for United States Federal income tax purposes.

"Investment Company Event" means that the Sponsor and the Regular Trustees shall have received an Opinion of Counsel experienced in practice under the Investment Company Act that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in Investment Company Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act, which Change in Investment Company Act Law becomes effective on or after February 23, 1999.

(d) The Trust may not redeem fewer than all the outstanding Common Securities unless all accumulated and unpaid Distributions have been paid on all Common Securities for all quarterly Distribution periods terminating on or prior to the date of redemption.

(e) (i) Notice of any redemption of, or notice of distribution of Debentures in exchange for, the Preferred Securities and the Common Securities (a "Redemption/Distribution Notice") will be given by the

Regular Trustees on behalf of the Trust by mail to each Holder of Preferred Securities and Common Securities to be redeemed or exchanged not less than 30 nor more than 60 days prior to the date fixed for redemption or exchange thereof. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this section 4(e)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Preferred Securities and Common Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Preferred Securities and Common Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Common Securities are to be redeemed, the Common Securities to be redeemed will be redeemed Pro Rata from each Holder of Common Securities (subject to adjustment to eliminate fractional Common Securities).

(iii) If the Trust gives a Redemption/Distribution Notice in respect of a redemption of Common Securities as provided in this section 4 (which notice will be irrevocable), then immediately prior to the close of business on the redemption date, provided that Reliant Energy has paid to the Property Trustee in immediately available funds a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, Distributions will cease to accumulate on the Common Securities called for redemption, such Common Securities will no longer be deemed to be outstanding and all rights of Holders of such Common Securities so called for redemption will cease, except the right of the Holders of such Common Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Common Securities which have been so called for redemption. If any date fixed for redemption of Common Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of

Common Securities is improperly withheld or refused and not paid by the Property Trustee, Distributions on such Common Securities will continue to accumulate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to Holders of the Common Securities.

5. VOTING RIGHTS. (a) Except as provided under section 5(b) below and as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.

(b) Holders of Common Securities have the sole right under the Declaration to increase or decrease the number of Trustees, and to appoint, remove or replace a Trustee, any such increase, decrease, appointment, removal or replacement to be approved by Holders of Common Securities representing a Majority in liquidation amount of the Common Securities.

If any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration, other than as described in section 12.01(b) of the Declaration, or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.01 of the Declaration or section 3 of this Exhibit C, then the Holders of outstanding Securities will be entitled to vote on such amendment or proposal as a single class and such amendment or proposal shall not be effective except with the approval of the Holders of Securities of at least a Majority in liquidation amount of the Securities, voting together as a single class; provided, however, that (A) if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or the Common Securities, then only the affected class of Securities will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a Majority in liquidation amount of such class of Securities, (B) the rights of Holders of Common Securities under Section 5.02 of the Declaration to increase or decrease the number of, and to appoint, replace or remove, Trustees shall not be amended without the consent of each Holder of Common Securities, and (C) amendments to the Declaration shall be subject to such further requirements as are set forth in Sections 12.01 and 12.02 of the Declaration.

In the event the consent of the Property Trustee, as the holder of the Debentures, is required under the Indenture with respect to any amendment,

modification or termination of the Indenture or the Debentures, the Property Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination. The Property Trustee shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where such amendment, modification or termination of the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Property Trustee may only vote with respect to that amendment, modification or termination as directed by, in the case of clause (1) above, the vote of Holders of Securities representing such specified percentage of the aggregate liquidation amount of the Securities, or, in the case of clause (2) above, each Holder of Securities; and provided, further, that the Property Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of Securities unless the Property Trustee shall have received, at the expense of the Sponsor, an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified for United States Federal income tax purposes as other than a grantor trust on account of such action.

So long as any Debentures are held by the Property Trustee, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee of the Indenture (the "Debenture Trustee"), or exercising any trust or power conferred on such Debenture Trustee with respect to the Debentures, (ii) waive any past default that is waivable under Section 6.06 of the Indenture or (iii) exercise any right to rescind or annul a declaration of acceleration of the maturity of the principal of the Debentures, without, in each case, obtaining the prior approval of the Holders of a Majority in liquidation amount of all outstanding Common Securities and Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of the Common Securities except by subsequent vote of such Holders. The Property Trustee shall notify each Holder of Common Securities of any notice of default with respect to the Debentures.

Notwithstanding any other provision of these terms, each Holder of Common Securities will be deemed to have waived any Event of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Preferred Securities have been cured, waived by the Holders of Preferred Securities as provided in the Declaration or otherwise eliminated, and until all Events of Default with respect to the Preferred Securities have been so cured, waived by the Holders of Preferred Securities or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Declaration or of the Securities. In the event that any Event of Default with respect to the

Preferred Securities is waived by the Holders of Preferred Securities as provided in the Declaration, the Holders of Common Securities agree that such waiver shall also constitute the waiver of such Event of Default with respect to the Common Securities for all purposes under the Declaration without any further act, vote or consent of the Holders of the Common Securities.

A waiver of an Indenture Event of Default by the Property Trustee at the direction of the Holders of the Preferred Securities will constitute a waiver of the corresponding Event of Default under the Declaration in respect of the Securities.

Any required approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote and (iii) instructions for the delivery of proxies.

No vote or consent of the Holders of Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration.

6. PRO RATA TREATMENT. A reference in these terms of the Common Securities to any payment, Distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Preferred Securities pro rata according to the aggregate liquidation amount of Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

7. RANKING. The Common Securities rank pari passu and payment thereon will be made Pro Rata with the Preferred Securities, except that when an Event of Default occurs and is continuing, the rights of Holders of Common Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise are subordinate to the rights of Holders of the Preferred Securities.

8. TRANSFER, EXCHANGE, METHOD OF PAYMENTS. Payment of Distributions and payments on redemption of the Common Securities will be payable, the transfer of the Common Securities will be registrable, and Common Securities will be exchangeable for Common Securities of other denominations of a like aggregate liquidation amount, at the principal corporate trust office of the Property Trustee in The City of New York; provided that payment of Distributions may be made at the option of the Regular Trustees on behalf of the Trust by check mailed to the address of the persons entitled thereto and that the payment on redemption of any Common Security will be made only upon surrender of such Common Security to the Property Trustee. Notwithstanding the foregoing, transfers of Common Securities are subject to conditions set forth in Section 9.01(c) of the Declaration.

9. ACCEPTANCE OF INDENTURE. Each Holder of Common Securities, by the acceptance thereof, agrees to the provisions of Indenture and the Debentures, including the subordination provisions of the Indenture.

10. NO PREEMPTIVE RIGHTS. The Holders of Common Securities shall have no preemptive or similar rights to subscribe to any additional Common Securities or Preferred Securities.

11. MISCELLANEOUS. These terms shall constitute a part of the Declaration. The Trust will provide a copy of the Declaration and the Indenture to a Holder of Common Securities without charge on written request to the Trust at its principal place of business.

FORM OF COMMON SECURITY CERTIFICATE  
TRANSFER OF THIS CERTIFICATE  
IS SUBJECT TO THE CONDITIONS  
SET FORTH IN THE DECLARATION  
REFERRED TO BELOW

Certificate Number

Number of Common Securities

\_\_\_\_\_

Certificate Evidencing Common Securities

of

REI Trust I

7.20% Trust Originated Common Securities, Series C  
(liquidation amount \$25 per Common Security)

REI Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of \_\_\_\_\_ (\_\_\_\_\_) common securities of the Trust representing common undivided beneficial interests in the assets of the Trust and designated the "7.20% Trust Originated Common Securities, Series C" (liquidation amount \$25 per Common Security) (the "Common Securities"). The Common Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this Certificate duly endorsed and in proper form for transfer and satisfaction of the other conditions set forth in the Declaration (as defined below) including, without limitation, Section 9.01(c) thereof. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth in, and this Certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Declaration of Trust of the Trust dated as of February 26, 1999, as the same may be amended from time to time (the "Declaration") including the designation of the terms of Common Securities as set forth in Exhibit C thereto. The Common Securities and the Preferred Securities issued by the Trust pursuant to the Declaration represent

undivided beneficial interests in the assets of the Trust, including the Debentures (as defined in the Declaration) issued by Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a Texas corporation ("Reliant Energy"), to the Trust pursuant to the Indenture referred to in the Declaration. The Trust will furnish a copy of the Declaration and the Indenture to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

The Holder of this Certificate, by accepting this Certificate, is deemed to have agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all Senior Debt (as defined in the Indenture) as and to the extent provided in the Indenture.

Upon receipt of this Certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Trustees of the Trust have executed this Certificate this \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

REI TRUST I

By \_\_\_\_\_, as Regular Trustee

Name:

Title: Regular Trustee

By \_\_\_\_\_, as Regular Trustee

Name:

Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of 7.20% (the "Coupon Rate") of the stated liquidation amount of \$25 per Common Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one calendar quarter will accumulate additional distributions thereon at the Coupon Rate per annum (to the extent permitted by applicable law) compounded quarterly. The term "Distributions" as used herein means such periodic cash distributions and any such additional distributions payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Trust has funds on hand legally available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 90-day quarter.

Distributions on the Common Securities will accumulate from February 26, 1999 and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1999, but only if and to the extent that interest payments are made in respect of the Debentures held by the Property Trustee. So long as Reliant Energy shall not be in default in the payment of interest on the Debentures, Reliant Energy has the right under the Indenture for the Debentures to defer payments of interest on the Debentures by extending the interest payment period at any time and from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures. As a consequence of such deferral, Distributions shall also be deferred. Despite such deferral, Distributions will continue to accumulate with additional distributions thereon (to the extent permitted by applicable law but not at a rate greater than the rate at which interest is then accruing on the Debentures) at the Coupon Rate compounded quarterly during any such Extension Period; provided that no Extension Period shall extend beyond the stated maturity of the Debentures. Prior to the termination of any such Extension Period, Reliant Energy may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods. Upon the termination of any Extension Period and the payment of all amounts then due, Reliant Energy may commence a new Extension Period, subject to the above requirements. On the Distribution payment date at the end of the Extension Period, payments of accumulated Distributions will be payable to Holders of Common Securities as they appear on the books and records of the Trust

(regardless of who the Holders may have been on other dates during the Extension Period) on the record date for such Distribution payment date.

The Common Securities shall be redeemable as provided in the Declaration.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Insert assignee's social security or tax identification number)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Insert address and zip code of assignee)

and irrevocably appoints

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ agent to transfer  
this Common Security Certificate on the books of the Trust. The agent may  
substitute another to act for him or her.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Common Security Certificate)

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RELIANT ENERGY, INCORPORATED

GUARANTEE AGREEMENT

REI TRUST I

\_\_\_\_\_

Dated as of February 26, 1999

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## GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT, dated as of February 26, 1999, is executed and delivered by Houston Industries Incorporated, d/b/a Reliant Energy, Incorporated, a Texas corporation ("Reliant Energy" or the "Guarantor"), and The Bank of New York, a New York banking corporation, as the initial Guarantee Trustee (as defined herein) for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of REI Trust I, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of February 26, 1999 among the trustees of the Issuer named therein, Reliant Energy, as Sponsor, and the Holders from time to time of preferred undivided beneficial interests in the assets of the Issuer, the Issuer may issue up to \$375,000,000 aggregate liquidation amount of its 7.20% Preferred Trust Securities, Series C (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Issuer and having the terms set forth in Exhibit B to the Declaration, of which \$375,000,000 aggregate liquidation amount of Preferred Securities is being issued as of the date hereof; and

WHEREAS, as incentive for the Holders to purchase Preferred Securities, the Guarantor desires to irrevocably and unconditionally agree, to the extent set forth herein, to pay to the Holders the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the purchase by the initial purchasers thereof of Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time.

### ARTICLE 1 DEFINITIONS

Section 1.0. Definitions. (a) Capitalized terms used in this Guarantee Agreement but not defined in the preamble above have the respective meanings assigned to them in this Section 1.01;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Commission" means the Securities and Exchange Commission.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Issuer, having the terms set forth in Exhibit C to the Declaration.

"Debentures" means the series of unsecured junior subordinated debentures issued by the Guarantor under the Indenture to the Property Trustee and entitled the "7.20% Junior Subordinated Debentures due 2048."

"Declaration" has the meaning set forth in the first WHEREAS clause above.

"Distributions" means the periodic distributions and other payments payable to Holders in accordance with the terms of the Preferred Securities set forth in Exhibit B to the Declaration.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Guarantee Agreement; provided, however, that, except with respect to a default in payment of any Guarantee Payment, any such default shall constitute an Event of Default only if the Guarantor shall have received notice of such default and shall not have cured such default within 60 days after receipt of such notice.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid

or made by or on behalf of the Issuer: (i) any accumulated and unpaid Distributions and the Redemption Price, including all accumulated and unpaid Distributions to the date of redemption, with respect to the Preferred Securities called for redemption by the Issuer but only if and to the extent that in each case the Guarantor has made a payment to the Property Trustee of interest or principal or premium, if any, on the Debentures and (ii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to Holders in exchange for Preferred Securities or the redemption of all the Preferred Securities upon the maturity or redemption of the Debentures as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accumulated and unpaid Distributions on the Preferred Securities to the date of payment, to the extent the Issuer has funds on hand legally available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer as required by applicable law (in either case, the "Liquidation Distribution").

"Guarantee Trustee" means The Bank of New York, a New York banking corporation, until a Successor Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement, and thereafter means each such Successor Guarantee Trustee.

"Holder" means any holder, as registered on the books and records of the Issuer, of any Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Guarantee Trustee, any Affiliate of the Guarantee Trustee, and any officers, directors, shareholders, members, partners, employees, representatives or agents of the Guarantee Trustee.

"Indenture" means the Junior Subordinated Indenture dated as of February 15, 1999 between the Guarantor and The Bank of New York, as trustee, as supplemented by Supplemental Indenture No. 1 thereto dated as of February 15, 1999 (the "Supplemental Indenture"), pursuant to which the Debentures are to be issued to the Property Trustee.

"Liquidation Distribution" has the meaning specified in the definition of Guarantee Payments.

"Majority in liquidation amount of the Preferred Securities" means, except as otherwise required by the Trust Indenture Act, Holder(s) of outstanding Preferred Securities voting together as a single class, who are the record owners of Preferred Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accumulated and

unpaid Distributions to the date upon which the voting percentages are determined) represents more than 50% of the liquidation amount of all outstanding Preferred Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Comptroller, the Secretary or an Assistant Secretary, of such Person, and delivered to the Guarantee Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 2.04 shall be the principal executive, financial or accounting officer of the Guarantor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement shall include:

(i) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(ii) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(iii) a statement that each officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities" has the meaning set forth in the first WHEREAS clause above.

"Property Trustee" means the Person acting as Property Trustee under the Declaration.

"Redemption Price" means the amount payable on redemption of the Preferred Securities in accordance with the terms of the Preferred Securities.

"Responsible Officer" means, when used with respect to the Guarantee Trustee, any officer within the corporate trust department of the Guarantee

Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Guarantee Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Guarantee Agreement.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as a Guarantee Trustee under Section 4.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE 2  
TRUST INDENTURE ACT

Section 2.01. Trust Indenture Act; Application. (a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions;

(b) if and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by (S)(S) 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control; and

(c) the application of the Trust Indenture Act to this Guarantee Agreement shall not affect the nature of the Preferred Securities as equity securities representing preferred undivided beneficial interests in the assets of the Issuer.

Section 2.02. Lists of Holders of Preferred Securities. (a) The Guarantor shall provide the Guarantee Trustee (unless the Guarantee Trustee is otherwise the registrar of the Preferred Securities) (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Guarantee Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of such date, and (ii) at any other time within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Guarantee Trustee; provided, that the Guarantor shall not be obligated to provide such List of Holders at any time that the List of Holders does not differ from the most recent List of Holders given to the Guarantee Trustee by the Guarantor. The Guarantee Trustee shall preserve, in as current a form as is reasonably practicable, all information

contained in the List of Holders given to it; provided, that the Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) the Guarantee Trustee shall comply with its obligations under (S) (S) 310(b), 311 and 312(b) of the Trust Indenture Act.

Section 2.03. Reports by the Guarantee Trustee. Within 60 days after January 15 of each year, commencing January 15, 2000, the Guarantee Trustee shall provide to the Holders such reports as are required by (S) 313 of the Trust Indenture Act, if any, in the form, in the manner and at the times provided by (S) 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the other requirements of (S) 313 of the Trust Indenture Act. A copy of each such report shall, at the time of such transmission to the Holders, be filed by the Guarantee Trustee with the Guarantor, with each stock exchange upon which any Preferred Securities are listed (if so listed) and also with the Commission. The Guarantor agrees to notify the Guarantee Trustee when any Preferred Securities become listed on any stock exchange and any delisting thereof.

Section 2.04. Periodic Reports to the Guarantee Trustee. The Guarantor shall provide to the Guarantee Trustee, the Commission and the Holders, as applicable, such documents, reports and information as required by (S) 314(a) (1)-(3) (if any) of the Trust Indenture Act and the compliance certificates required by (S) 314(a) (4) and (c) of the Trust Indenture Act, any such certificates to be provided in the form, in the manner and at the times required by (S) 314(a) (4) and (c) of the Trust Indenture Act (provided that any certificate to be provided pursuant to (S) 314(a) (4) of the Trust Indenture Act shall be provided within 120 days of the end of each fiscal year of the Issuer). Delivery of such reports, information and documents to the Guarantee Trustee is for informational purposes only and the Guarantee Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Guarantor's compliance with any of its covenants hereunder (as to which the Guarantee Trustee is entitled to rely exclusively on Officers' Certificates).

Section 2.05. Evidence of Compliance with Conditions Precedent. The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Guarantee Agreement which relate to any of the matters set forth in (S) 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to (S) 314(c) may be given in the form of an Officers' Certificate.

Section 2.06. Events of Default; Waiver. (a) The Holders of a Majority in liquidation amount of the Preferred Securities may, by vote, on behalf of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default

arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default, or impair any right consequent thereon.

(b) The right of any Holder to receive payment of the Guarantee Payments in accordance with this Guarantee Agreement, or to institute suit for the enforcement of any such payment, shall not be impaired without the consent of each such Holder.

Section 2.07. Disclosure of Information. The disclosure of information as to the names and addresses of the Holders in accordance with (S) 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law, or any law hereafter enacted which does not specifically refer to (S) 312 of the Trust Indenture Act, nor shall the Guarantee Trustee be held accountable by reason of mailing any material pursuant to a request made under (S) 312(b) of the Trust Indenture Act.

Section 2.08. Conflicting Interest. The Declaration shall be deemed to be specifically described in this Guarantee Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE 3  
POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

Section 3.01. Powers and Duties of the Guarantee Trustee. (a) This Guarantee Agreement shall be held by the Guarantee Trustee in trust for the benefit of the Holders. The Guarantee Trustee shall not transfer its right, title and interest in this Guarantee Agreement to any Person except a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Guarantee Trustee or to a Holder exercising his or her rights pursuant to Section 5.04(iv). The right, title and interest of the Guarantee Trustee to this Guarantee Agreement shall vest automatically in each Person who may hereafter be appointed as Guarantee Trustee in accordance with Article 4. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

(b) If an Event of Default has occurred and is continuing, the Guarantee Trustee shall enforce this Guarantee Agreement for the benefit of the Holders.

(c) This Guarantee Agreement and all moneys received by the Property Trustee in respect of the Guarantee Payments will not be subject to any right,

charge, security interest, lien or claim of any kind in favor of, or for the benefit of, the Guarantee Trustee or its agents or their creditors.

(d) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default known to a Responsible Officer of the Guarantee Trustee, transmit by mail, first class postage prepaid, to the Holders, as their names and addresses appear upon the List of Holders, notice of all such Events of Default, unless such defaults shall have been cured before the giving of such notice; provided, that, the Guarantee Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers, of the Guarantee Trustee in good faith determine that the withholding of such notice is in the interests of the Holders. The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default except any Event of Default as to which the Guarantee Trustee shall have received written notice or a Responsible Officer charged with the administration of this Guarantee Agreement shall have obtained written notice of such Event of Default.

(e) The Guarantee Trustee shall continue to serve as a trustee until a Successor Guarantee Trustee has been appointed and accepted that appointment in accordance with Article 4.

Section 3.02. Certain Rights and Duties of the Guarantee Trustee. (a) The Guarantee Trustee, before the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants shall be read into this Guarantee Agreement against the Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.06), the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Guarantee Agreement shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations

as are specifically set forth in this Guarantee Agreement, and no implied covenants or obligations shall be read into this Guarantee Agreement against the Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof or the Trust Indenture Act are specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement or the Trust Indenture Act, as the case may be;

(ii) the Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall be proved that the Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in liquidation amount of Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Subject to the provisions of Section 3.02(a) and (b):

(i) whenever in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an

Officers' Certificate, which, upon receipt of such request, shall be promptly delivered by the Guarantor;

(ii) the Guarantee Trustee (A) may consult with counsel (which may be counsel to the Guarantor or any of its Affiliates and may include any of its employees) selected by it in good faith and with due care and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice and opinion and (B) shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(iii) the Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it in good faith and with due care;

(iv) the Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have offered to the Guarantee Trustee security and indemnity satisfactory to the Guarantee Trustee against the costs, expenses (including its attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction; provided that nothing contained in this clause (iv) shall relieve the Guarantee Trustee of the obligation, upon the occurrence of an Event of Default (which has not been cured or waived) to exercise such of the rights and powers vested in it by this Guarantee Agreement, and to use the same degree of care and skill in this exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and

(v) any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action; and no third party shall be required to inquire as to the authority of the Guarantee Trustee to so act, or as to its compliance with any of the terms and provisions of this Guarantee Agreement, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

Section 3.03. Not Responsible for Recitals or Issuance of Guarantee. The recitals contained in this Guarantee Agreement shall be taken as the

statements of the Guarantor and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representations as to the validity or sufficiency of this Guarantee Agreement.

Section 3.04. The Guarantee Trustee May Own Preferred Securities. The Guarantee Trustee, in its individual or any other capacity, may become the owner or pledgee of Preferred Securities and may otherwise deal with the Guarantor with the same rights it would have if it were not Guarantee Trustee.

Section 3.05. Moneys Received by the Guarantee Trustee to Be Held In Trust Without Interest. All moneys received by the Guarantee Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Guarantee Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree in writing to pay thereon.

Section 3.06. The Guarantee Trustee Entitled to Compensation, Reimbursement and Indemnity. (a) The Guarantor covenants and agrees to pay to the Guarantee Trustee from time to time, and the Guarantee Trustee shall be entitled to, such compensation as the Guarantor and the Guarantee Trustee shall from time to time agree in writing (which shall not be limited by any provision of law in regard to the compensation of a Guarantee Trustee of an express trust) for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Guarantee Trustee, and the Guarantor will pay or reimburse the Guarantee Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Guarantee Trustee in accordance with any of the provisions of this Guarantee Agreement (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Guarantor also covenants to indemnify each of the Guarantee Trustee or any predecessor Guarantee Trustee and their officers, agents, directors and employees for, and to hold them harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based upon, measured by or determined by the income of the Guarantee Trustee) incurred without negligence or bad faith on the part of the Guarantee Trustee and arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Guarantor, any Holder or any other Person) of liability in the premises. The provisions of this Section 3.06 shall survive the termination of this Guarantee Agreement and resignation or removal of the Guarantee Trustee.

(b) The obligations of the Guarantor under this Section 3.06 to compensate and indemnify the Guarantee Trustee and to pay or reimburse the

Guarantee Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Preferred Securities upon all property and funds held or collected by the Guarantee Trustee as such, except funds held in trust for the benefit of the holders of particular Preferred Securities.

Section 3.07. Right of the Guarantee Trustee to Rely on Certificate of Officers of the Guarantor Where No Other Evidence Specifically Prescribed. Except as otherwise provided in Section 3.02, whenever in the administration of the provisions of this Guarantee Agreement the Guarantee Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Guarantee Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Guarantee Trustee and such certificate, in the absence of negligence or bad faith on the part of the Guarantee Trustee, shall be full warrant to the Guarantee Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Guarantee Agreement upon the faith thereof.

#### ARTICLE 4 GUARANTEE TRUSTEE

Section 4.01. Qualifications. There shall at all times be a Guarantee Trustee that shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a national banking association or corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this clause (ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

If at any time the Guarantee Trustee shall cease to satisfy the requirements of clauses (i) and (ii) above, the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.02. If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of (S) 310(b) of the Trust Indenture Act, the Guarantee Trustee and the Guarantor shall in all respects comply with the provisions of (S) 310(b) of the Trust Indenture Act.

Section 4.02. Appointment, Removal and Resignation of the Guarantee Trustee. (a) Subject to Section 4.02(b), the Guarantee Trustee may be appointed or removed without cause by the Guarantor upon 60 days' prior written notice.

(b) The Guarantee Trustee shall not be removed in accordance with Section 4.02(a) until a Successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.01 has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor and the Guarantee Trustee being removed.

(c) The Guarantee Trustee appointed to office shall hold office until its successor shall have been appointed or until its removal or resignation.

(d) The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument (a "Resignation Request") in writing signed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that no such resignation of the Guarantee Trustee shall be effective until a Successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.01 has been appointed and has accepted such appointment by instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(e) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.02 within 60 days after delivery of a notice of removal or a Resignation Request, the Guarantee Trustee being removed or resigning, as the case may be, may petition, at the expense of the Sponsor, any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a Successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.01.

ARTICLE 5  
GUARANTEE

Section 5.01. Guarantee. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim which the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

Section 5.02. Waiver of Notice. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands. Notwithstanding anything to the contrary herein, the Guarantor retains all of its rights under the Indenture to extend the interest payment period on the Debentures and the Guarantor shall not be obligated hereunder to make any Guarantee Payment during any Extended Interest Payment Period (as defined in the Supplemental Indenture) with respect to the Distributions on the Preferred Securities.

Section 5.03. Obligations Not Affected. The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions (other than an extension of time for payment of Distributions that result from any Extended Interest Payment Period), Redemption Price, Liquidation Distribution (as defined in the Declaration) or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions that result from any Extended Interest Payment Period);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.03 that the obligations of the Guarantor with respect to the Guarantee Payments shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 5.04. Enforcement of Guarantee. The Guarantor and the Guarantee Trustee expressly acknowledge that (i) this Guarantee Agreement will be deposited with the Guarantee Trustee to be held for the benefit of the Holders; (ii) the Guarantee Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) Holders representing not less than a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of this Guarantee Agreement or exercising any trust or other power conferred upon the Guarantee Trustee under this Guarantee Agreement; and (iv) if the Guarantee Trustee fails to enforce this Guarantee Agreement as provided in clauses (ii) and (iii) above, any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other Person. Notwithstanding the foregoing, if the Guarantor has failed to make a Guarantee Payment, a Holder may directly institute a proceeding against the Guarantor for enforcement of this Guarantee Agreement for such payment without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other Person.

Section 5.05. Guarantee of Payment. This Guarantee Agreement creates a guarantee of payment and not merely of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication of amounts theretofore paid by the Issuer) or upon the distribution of the Debentures to the Holders as provided in the Declaration.

Section 5.06. Subrogation. The Guarantor shall be subrogated to all (if any) rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

Section 5.07. Independent Obligations. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.03 hereof.

ARTICLE 6  
LIMITATION OF TRANSACTIONS; SUBORDINATION

Section 6.01. Limitation of Transactions. So long as any Preferred Securities remain outstanding, the Guarantor will not declare or pay dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its capital stock (other than (a) dividends or distributions in shares of, or options, warrants, rights to subscribe for or purchase shares of, common stock of the Guarantor, (b) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, (c) as a result of a reclassification of the Guarantor's capital stock or the exchange or the conversion of one class or series of the Guarantor's capital stock for another class or series of the Guarantor's capital stock, (d) the payment of accrued dividends and the purchase of fractional interests in shares of the Guarantor's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or

exchanged, or (e) purchases of the Guarantor's common stock related to the issuance of the Guarantor's common stock or rights under any of the Guarantor's benefit plans for its directors, officers or employees, any of the Guarantor's dividend reinvestment plans or stock purchase plans, or any of the benefit plans of any of the Guarantor's Affiliates, for such Affiliate's directors, officers or employees) or make any guarantee payment with respect thereto, if at such time (i) the Guarantor shall be in default with respect to its Guarantee Payments or other payment obligations hereunder, (ii) there shall have occurred any event of default under the Declaration or (iii) the Guarantor shall have given notice of its election of an Extended Interest Payment Period and such period, or any extension thereof, is continuing. In addition, so long as any Preferred Securities remain outstanding, the Guarantor (i) will remain the sole direct or indirect owner of all of the outstanding Common Securities and shall not cause or permit the Common Securities to be transferred except to the extent such transfer is permitted under Section 9.01 of the Declaration; provided that any permitted successor of the Guarantor under the Indenture may succeed to the Guarantor's ownership of the Common Securities and (ii) will use reasonable efforts to cause the Issuer to continue to be treated as a grantor trust for United States federal income tax purposes except in connection with a distribution of Debentures as provided in the Declaration.

Section 6.02. Subordination. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, including the Debentures, except those made pari passu or subordinate by their terms, and (ii) senior to all capital stock (other than the most senior preferred stock issued, from time to time, if any, by the Guarantor, which preferred stock will rank pari passu with this Guarantee Agreement) now or hereafter issued by the Guarantor and to any guarantee now or hereafter entered into by the Guarantor in respect of any of its capital stock (other than the most senior preferred stock issued, from time to time, if any, by the Guarantor). The Guarantor's obligations under this Guarantee Agreement will rank pari passu with respect to obligations under other guarantee agreements which it may enter into from time to time to the extent that (i) such agreements shall be entered into in substantially the form hereof and provide for comparable guarantees by the Guarantor of payment on preferred securities issued by other trusts, partnerships or other entities affiliated with the Guarantor that are financing vehicles of the Guarantor and (ii) the debentures or other evidences of indebtedness of the Guarantor relating to such preferred securities are junior subordinated, unsecured indebtedness of the Guarantor.

ARTICLE 7  
TERMINATION

Section 7.01. Termination. This Guarantee Agreement shall terminate and be of no further force and effect (i) upon full payment of the Redemption Price of all Preferred Securities, (ii) upon the distribution of Debentures to Holders and holders of Common Securities in exchange for all of the Preferred Securities and Common Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must restore payment of any sums paid with respect to the Preferred Securities or under this Guarantee Agreement.

ARTICLE 8  
LIMITATION OF LIABILITY; INDEMNIFICATION

Section 8.01. Exculpation. (a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Holder for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Guarantee Agreement and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Guarantee Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or any other facts pertinent to the existence and amount of assets from which Distributions to Holders might properly be paid.

Section 8.02. Indemnification. To the fullest extent permitted by applicable law, the Guarantor shall indemnify and hold harmless each Indemnified Person from and against any loss, liability, expense, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted

by such Indemnified Person in good faith in accordance with this Guarantee Agreement and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Guarantee Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, liability, expense, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

Section 8.03. Survive Termination. The provisions of Sections 8.01 and 8.02 shall survive the termination of this Guarantee Agreement or the resignation or removal of the Guarantee Trustee.

ARTICLE 9  
MISCELLANEOUS

Section 9.01. Successors and Assigns. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assignees, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article Ten of the Indenture, the Guarantor shall not assign its obligations hereunder.

Section 9.02. Amendments. Except with respect to any changes which do not adversely affect the rights of Holders in any material respect (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Guarantor and the Holders of not less than a Majority in liquidation amount of the Preferred Securities. The provisions of Section 12.02 of the Declaration concerning meetings of Holders shall apply to the giving of such approval.

Section 9.03. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address set forth below or such other address as the Guarantor may give notice of to the Holders:

Reliant Energy, Incorporated  
1111 Louisiana  
Houston, Texas 77002  
Attention: Treasurer  
Telecopy: (713) 207-5782

(b) if given to the Guarantee Trustee, to the address set forth below or such other address as the Guarantee Trustee may give notice of to the Holders:

The Bank of New York  
101 Barclay Street  
Floor 21 West  
New York, New York 10286  
Attention: Corporate Trust Trustee Administration  
Telecopy: (212) 815-5915

(c) if given to any Holder, at the address set forth on the books and records of the Issuer.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 9.04. Genders. The masculine, feminine and neuter genders used herein shall include the masculine, feminine and neuter genders.

Section 9.05. Benefit. This Guarantee Agreement is solely for the benefit of the Holders and subject to Section 3.01(a) is not separately transferable from the Preferred Securities.

Section 9.06. Governing Law. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS).

Section 9.07. Counterparts. This Guarantee Agreement may be executed in counterparts, each of which shall be an original; but such counterparts shall together constitute one and the same instrument.

Section 9.08. Limited Liability. The Holders, in their capacities as such, shall not be personally liable for any liabilities or obligations of the Guarantor arising out of this Guarantee Agreement, and the parties hereby agree that the

Holders, in their capacities as such, shall be entitled to the same limitation of personal liability extended to the stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

HOUSTON INDUSTRIES INCORPORATED, d/b/a  
RELIANT ENERGY, INCORPORATED

By: /s/ Marc Kilbride

-----  
Name: Marc Kilbride  
Title: Treasurer

THE BANK OF NEW YORK  
As Guarantee Trustee

By: /s/ Remo J. Reale

-----  
Name: Remo J. Reale  
Title: Assistant Vice President

[LETTERHEAD OF BAKER & BOTTS APPEARS HERE]

001166.0568

February 25, 1999

Reliant Energy, Incorporated  
Reliant Energy Plaza  
1111 Louisiana  
Houston, Texas 77002-5231

Ladies and Gentlemen:

We have acted as counsel to Houston Industries Incorporated, a Texas corporation doing business as Reliant Energy, Incorporated ("Reliant Energy"), and REI Trust I (formerly HI Trust I) and REI Trust II (formerly HI Trust II), each of which is a Delaware statutory business trust (collectively, the "Trusts"), relating to the registration of (i) \$500,000,000 aggregate principal amount of Junior Subordinated Debentures of Reliant Energy and (ii) \$500,000,000 aggregate liquidation amount of preferred securities of the Trusts. In that connection, reference is made to the registration statement under the Securities Act of 1933, as amended, of Reliant Energy and the Trusts on Form S-3 (Registration Nos. 333-70665, 333-70665-01, and 333-70665-02) filed with the Securities and Exchange Commission (the "Commission") on January 15, 1999, as amended by Pre-Effective Amendment No. 1 thereto filed on February 2, 1999, and declared effective by the Commission on February 4, 1999 (as amended, the "Registration Statement"), including a prospectus dated February 4, 1999 (the "Prospectus"), and a prospectus supplement dated February 23, 1999 (the "Prospectus Supplement") describing the 7.20% Trust Originated Preferred Securities, Series C of REI Trust I (the "Preferred Securities") and the 7.20% Junior Subordinated Debentures due 2048 of Reliant Energy (the "Junior Subordinated Debentures"). Capitalized terms not otherwise defined herein shall have the meaning specified in the Prospectus and the Prospectus Supplement.

We have examined the Prospectus, the Prospectus Supplement, and such other documents and corporate records as we have deemed necessary or appropriate for purposes of this opinion. In addition, we have assumed that the Junior Subordinated Debentures and the Preferred Securities will be issued in accordance with the operative documents described in the Prospectus and the Prospectus Supplement.

Based on certain assumptions set forth therein, statements of legal conclusion set forth under the heading "Certain Federal Tax Consequences" in the Prospectus Supplement reflect our opinions on the material tax consequences of the purchase, ownership and disposition of the Preferred Securities based on the Internal Revenue Code of 1986 and applicable regulations thereunder, both as in effect on the date hereof, and on reported judicial decisions.

Our opinion is limited to tax matters specifically covered hereby.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to this Firm in the section captioned "Certain Federal Tax Consequences" in the Prospectus Supplement. In giving this consent, we do not thereby admit that we come within the category of a person whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Commission thereunder.

Very truly yours,

BAKER & BOTTS, L.L.P.