

REGISTRATION NOS. 333- , 333- , 333- , 333- ,  
333-

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

HOUSTON LIGHTING & POWER COMPANY

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

74-0694415  
(I.R.S. EMPLOYER IDENTIFICATION  
NO.)

1111 LOUISIANA  
HOUSTON, TEXAS 77002  
(713) 207-1111

(ADDRESS, INCLUDING ZIP CODE, AND  
TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF REGISTRANT'S PRINCIPAL  
EXECUTIVE OFFICES)

HUGH RICE KELLY, EXECUTIVE VICE  
PRESIDENT  
GENERAL COUNSEL AND CORPORATE  
SECRETARY  
HOUSTON LIGHTING & POWER COMPANY  
1111 LOUISIANA  
HOUSTON, TEXAS 77002  
(713) 207-1111

(NAME AND ADDRESS, INCLUDING ZIP  
CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR  
SERVICE)

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

(EXACT NAME OF EACH REGISTRANT AS SPECIFIED IN ITS TRUST AGREEMENT)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION  
OF EACH REGISTRANT)

TO BE APPLIED FOR  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

200 WEST 9TH STREET PLAZA, BOX  
2105  
WILMINGTON, DELAWARE 19899  
(302) 655-8894

(ADDRESS, INCLUDING ZIP CODE, AND  
TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF EACH REGISTRANT'S PRINCIPAL  
EXECUTIVE OFFICES)

NORMAN J. SHUMAN  
200 WEST 9TH STREET PLAZA, BOX 2105  
WILMINGTON, DELAWARE 19899  
(302) 655-8894

(NAME AND ADDRESS, INCLUDING ZIP  
CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR  
SERVICE)

-----  
WITH COPIES TO:

STEVEN R. LOESHELLE  
DEWEY BALLANTINE  
1301 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10019-6092  
(212) 259-6160

MARGO S. SCHOLIN  
BAKER & BOTTS, L.L.P.  
910 LOUISIANA, ONE SHELL PLAZA  
HOUSTON, TEXAS 77002-4995  
(713) 229-1110

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

-----  
-----

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

-----  
 CALCULATION OF REGISTRATION FEE  
 -----

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)(2)(3)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)(3)	AMOUNT OF REGISTRATION FEE(1)
HL&P Capital Trust I Preferred Securities..				
HL&P Capital Trust II Preferred Securities..				
HL&P Capital Trust III Preferred Securities..				
HL&P Capital Trust IV Preferred Securities..				
HL&P Capital Trust I Capital Securities....				
HL&P Capital Trust II Capital Securities....				
HL&P Capital Trust III Capital Securities....				
HL&P Capital Trust IV Capital Securities....				
Houston Lighting & Power Company Junior Subordinated Deferrable Interest Debentures...				
Houston Lighting & Power Company Guarantees with respect to Preferred Securities and Capital Securities of HL&P Capital Trust I, II, III, and IV(4)(5).....				
Total.....	\$350,000,000	100%	\$350,000,000	\$106,060.61

(1) There are being registered hereunder a presently indeterminate number of Preferred Securities and Capital Securities of HL&P Capital Trust I, II, III and IV and a presently indeterminate principal amount of Junior Subordinated Deferrable Interest Debentures of Houston Lighting & Power Company with an aggregate initial offering price not to exceed \$350,000,000. Junior Subordinated Deferrable Interest Debentures also may be issued to HL&P Capital Trust I, II, III and IV and later distributed upon dissolution and distribution of the assets thereof which would include such Junior Subordinated Deferrable Interest Debentures for which no separate consideration will be received. Pursuant to Rule 457(o) under the Securities Act of 1933, which permits the registration fee to be

calculated on the basis of the maximum offering price of all securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.

- (2) Estimated solely for the purpose of determining the registration fee.
- (3) Exclusive of accrued interest and distributions, if any.
- (4) No separate consideration will be received for the Houston Lighting & Power Company Guarantees. Pursuant to Rule 457(n) no separate fee is payable in respect to the Houston Lighting & Power Company Guarantees.
- (5) Includes the obligations of Houston Lighting & Power Company under the respective Trust Agreements, the Junior Subordinated Deferrable Interest Debenture Indenture, the related series of Junior Subordinated Deferrable Interest Debentures, the respective Guarantees and the respective Agreements as to Expenses and Liabilities, which include Houston Lighting & Power Company's covenant to pay any indebtedness, expenses or liabilities of the Trusts (other than obligations pursuant to the terms of the Securities or other similar interests), all as described in this Registration Statement.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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

SUBJECT TO COMPLETION, DATED JANUARY 21, 1997

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY , 1997

\$ ,000,000

HL&P CAPITAL TRUST [ ]

% CAPITAL SECURITIES, SERIES

(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)  
 FULLY AND UNCONDITIONALLY GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

-----

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

(Continued on next page)

-----

SEE "RISK FACTORS" BEGINNING ON PAGE S-4 HEREOF FOR CERTAIN INFORMATION RELEVANT TO AN INVESTMENT IN THE SERIES CAPITAL SECURITIES.

-----

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

-----

PROCEEDS TO  
 INITIAL PUBLIC UNDERWRITING THE SERIES  
 OFFERING PRICE COMMISSION(1) ISSUER(2)(3)

Per Series Capital Security.....	\$	(2)	\$
Total.....	\$	(2)	\$

(1) The Series Issuer and the Corporation have each agreed to indemnify the several Underwriters against certain liabilities, including liabilities

under the Securities Act of 1933, as amended. See "Underwriting".

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

-----

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

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

-----

The date of this Prospectus Supplement is , 1997.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES CAPITAL SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

-----

(cover page continued)

-----  
Holders of the Series Capital Securities will be entitled to receive preferential cumulative cash distributions accruing from the date of original issuance and payable semi-annually in arrears on the day of and of each year, commencing , at the annual rate of % of the Liquidation Amount (as defined in the accompanying Prospectus) of \$1,000 per Series Capital Security ("Distributions"). The ability of the Series Issuer to make timely payments of Distributions on the Series Capital Securities is solely dependent upon the Corporation making interest payments on the Series

Subordinated Debentures as and when required. Subject to certain exceptions, as described herein, the Corporation has the right to defer payment of interest on the Series Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each deferral period (each, an "Extension Period"); provided that no Extension Period may extend beyond the Stated Maturity of the Series Subordinated Debentures. If interest payments on the Series Subordinated Debentures are so deferred, Distributions on the Series Capital Securities will also be deferred, and the Corporation will not be permitted, subject to certain exceptions described herein, to declare or pay any cash distributions with respect to the Corporation's capital stock or debt securities that rank pari passu in all respects with or junior to the Series Subordinated Debentures. During an Extension Period, interest on the Series

Subordinated Debentures will continue to accrue (and the amount of Distributions to which holders of the Series Capital Securities are entitled will accumulate) at the rate of % per annum, compounded semi-annually from the relevant payment date for such interest, and holders of Series Capital Securities will be required to accrue interest income for United States federal income tax purposes. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded semi-annually, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the requirements set forth herein. See "Certain Terms of Series Subordinated Debentures--Option to Defer Interest Payments" and "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

The Series Subordinated Debentures (and therefore the Series Capital Securities) are unsecured and subordinated to all existing and future Senior Debt (as defined in the accompanying Prospectus) of the Corporation. Substantially all of the Corporation's existing indebtedness constitutes Senior Debt. At September 30, 1996, the Senior Debt of the Corporation aggregated approximately \$3.0 billion. If the Transaction (as defined in the accompanying Prospectus) is consummated using the Alternative Merger (as defined in the accompanying Prospectus), Senior Debt of the Corporation will be substantially increased. See "Recent Developments; NorAm Merger" in the accompanying Prospectus. None of the Indenture, the related Guarantee, the related Trust Agreement or the Expense Agreement places any limitation on the amount of secured or unsecured debt, including Senior Debt, that may be incurred by the Corporation. See "Description of Junior Subordinated Debentures--Subordination" in the accompanying Prospectus.

The Corporation has, through the Series Guarantee, the Trust Agreement, the Series Subordinated Debentures, the Indenture and the Expense Agreement (each as defined herein), taken together, fully, irrevocably and unconditionally guaranteed all of the Series Issuer's obligations

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

The obligations of the Corporation under the Series Guarantee, the Series Subordinated Debentures and with respect to the Series Capital Securities are subordinate and junior in right of payment to all Senior Debt of the Corporation.

The Series Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Series Subordinated Debentures at their Stated Maturity or earlier redemption. The Series Subordinated Debentures are redeemable prior to their Stated Maturity at the option of the Corporation (i) on or after , , in whole at any time or in part from time to time, or (ii) prior to , in whole (but not in part) within 90 days following the occurrence of a Special Event (as defined herein). For a description of redemption prices for the Series Capital Securities pursuant to clause (i) or (ii) above, see "Certain Terms of Series Capital Securities--Redemption" and "Certain Terms of Series Subordinated Debentures--Redemption".

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series Issuer. See "Certain Terms of Series Capital Securities--Liquidation of Series Issuer and Distribution of Series Subordinated Debentures to Holders". In the event of the dissolution of the Series Issuer, after satisfaction of liabilities to creditors of the Series Issuer as required by applicable law, the holders of the Series Capital Securities will be entitled to receive a Liquidation Amount of \$1,000 per Series Capital Security plus accumulated and unpaid Distributions thereon to the date of payment, which may be in the form of a distribution of such amount in Series Subordinated Debentures, subject to certain exceptions. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

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

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



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

#### RISK FACTORS

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

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

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

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

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

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture to defer payment of interest on the Series Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series Subordinated Debentures. As a consequence of any such

deferral of interest payments by the Corporation, semi-annual Distributions on the Series Capital Securities by the Series Issuer will also be deferred during any such Extension Period. Distributions to which holders of the Series Capital Securities are entitled will accumulate additional Distributions thereon at the rate of % per annum, compounded semi-annually from the relevant payment date for such Distributions. During any such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series Subordinated Debentures; provided that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Series Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. Upon the termination of any Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded semi-annually from the Interest Payment Date for such interest, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the above requirements. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Certain Terms of Series Capital Securities--Distributions" and "Certain Terms of Series Subordinated Debentures--Option to Defer Interest Payments".

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

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

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

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

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

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

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

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

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

#### DISTRIBUTION OF SERIES CAPITAL SECURITIES FOR SERIES SUBORDINATED DEBENTURES

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series Issuer and, after satisfaction of liabilities to creditors of the Series Issuer as required by applicable law, cause the Series Subordinated Debentures to be distributed to the holders of the Series Securities. See "Certain Terms of Series Capital Securities--Liquidation of Series Issuer and Distribution of Series Subordinated Debentures to Holders".

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

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

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

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

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

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

#### LIMITED VOTING RIGHTS

Holders of Series Capital Securities generally will have limited voting rights relating only to the modification of the Series Capital Securities, the exercise of the Series Issuer's rights as holder of Series Subordinated Debentures and the Series Guarantee. Holders of Series Capital Securities will not be entitled to vote to appoint, remove or replace the Property Trustee, the Delaware Trustee or any Administrative Trustee, and such voting rights are vested

exclusively in the holder of the Series Common Securities except, with respect to the Property Trustee and the Delaware Trustee, upon the occurrence of certain events described in the accompanying Prospectus. The Property Trustee, the Administrative Trustees and the Corporation may amend the Trust Agreement without the consent of holders of Series Capital Securities to ensure that the Series Issuer will be classified for United States federal income tax purposes as a grantor trust unless such action materially and adversely affects the interests of such holders. See "Description of Securities--Voting Rights; Amendment of Each Trust Agreement" and "--Removal of Issuer Trustees" in the accompanying Prospectus.

#### TRADING CHARACTERISTICS OF SERIES CAPITAL SECURITIES

The Corporation and the Series Issuer do not intend to have the Series Capital Securities listed on any securities exchange. If the underwriters do not make a market for the Series Capital Securities, the liquidity of the Series Capital Securities could be adversely affected. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount" and "--Sale or Redemption of Series Capital Securities" for a discussion of the United States federal income tax consequences that may result from a taxable disposition of the Series Securities.

#### MARKET PRICES

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

#### HL&P CAPITAL TRUST [ ]

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

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

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

HOUSTON LIGHTING & POWER COMPANY

SELECTED FINANCIAL INFORMATION OF THE CORPORATION

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

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

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



RATIO OF EARNINGS TO FIXED CHARGES

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

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

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

USE OF PROCEEDS

All of the proceeds from the sale of the Series Capital Securities will be invested by the Series Issuer in Series Subordinated Debentures. The Corporation intends that the proceeds from the sale of the Series Subordinated Debentures will be added to its general corporate funds and will be used for general corporate purposes, including funding the redemption or repurchase of shares of its outstanding preferred stock.

CAPITALIZATION

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

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

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

ACCOUNTING TREATMENT

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

## CERTAIN TERMS OF SERIES CAPITAL SECURITIES

### GENERAL

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

### DISTRIBUTIONS

The Series Capital Securities represent undivided beneficial interests in the assets of the Series Issuer. The ability of the Series Issuer to make timely payments of Distributions on the Series Capital Securities is solely dependent upon the Corporation making interest payments on the Series Subordinated Debentures as and when required. Distributions on Series Capital Securities will be payable at the annual rate of % of the stated Liquidation Amount of \$1,000, payable semi-annually in arrears on and of each year, to the holders of the Series Capital Securities on the relevant record dates. The record dates for the Series Capital Securities will be, for so long as the Series Capital Securities remain in book-entry form, one Business Day (as defined in the accompanying Prospectus) prior to the relevant Distribution payment date and, in the event the Series Capital Securities are not in book-entry form, the 15th day of the month immediately preceding the relevant Distribution payment date. Distributions will accumulate from the date of original issuance. The first Distribution payment date for the Series Capital Securities will be . The amount of Distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions for any partial period will be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. In the event that any date on which Distributions are payable on the Series Capital Securities is not a Business Day, then payment of the Distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any additional Distributions or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. See "Description of Securities--Distributions" in the accompanying Prospectus.

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture to defer payment of interest on the Series Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series Subordinated Debentures. As a consequence of any such deferral of interest payments by the Corporation, semi-annual Distributions on the Series Capital Securities by the Series Issuer will also be deferred during any such Extension Period. Distributions to which holders of the Series Capital Securities are entitled will accumulate additional Distributions thereon at the rate of % per annum, compounded semi-annually from the relevant payment date for such Distributions. The term "Distributions" as used herein shall include any such additional Distributions. During any such Extension Period, the Corporation may not (i) declare

or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees, related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series Subordinated Debentures; provided that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Series Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded semi-annually from the Interest Payment Date for such interest, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Certain Terms of Series Subordinated Debentures--Option to Defer Interest Payments" and "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

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

#### REDEMPTION

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

The Redemption Price, in the case of a redemption under (i) above, shall equal the following prices expressed in percentages of the Liquidation Amount together with accrued Distributions to but excluding the Redemption Date. If redeemed during the 12-month period beginning :

YEAR	REDEMPTION PRICE
-----	-----
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

and at 100% on or after .

The Redemption Price, in the case of a redemption following a Special Event as described under (ii) above, shall equal for Series Capital Securities the Make-Whole Amount for a corresponding \$1,000 principal amount of Series

Subordinated Debentures together with accrued Distributions to but excluding the Redemption Date. The "Make-Whole Amount" shall be equal to the greater of (i) 100% of the principal amount of such Series Subordinated Debentures or (ii) as determined by a Quotation Agent (as defined below), the sum of the present values of the principal amount and premium payable as part of the Redemption Price with respect to an optional redemption of such Series

Subordinated Debentures on , together with scheduled payments of interest from the Redemption Date to (the "Remaining Life"), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below).

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the Treasury Rate (as defined below) plus (i) % if such Redemption Date occurs on or before or (ii) % if such Redemption Date occurs after .

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

"Comparable Treasury Issue" means, with respect to any Redemption Date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice,

in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after , the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (i) the average of five Reference Treasury Dealer Quotations (as defined below) for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Debenture Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Quotation Agent" means Goldman, Sachs & Co. and its successors; provided, however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Corporation shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer" means (i) the Quotation Agent and (ii) any other Primary Treasury Dealer selected by the Corporation.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Debenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Debenture Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

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

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series Issuer and, after satisfaction of liabilities to creditors of the Series Issuer as required by applicable law, cause the Series Subordinated Debentures to be distributed to the holders of the Series Securities. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

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

#### LIQUIDATION VALUE

The amount payable on each of the Series Capital Securities in the event of any liquidation of the Series Issuer is \$1,000 plus accumulated and unpaid Distributions, which amount may be paid in the form of a distribution of a Like Amount in Series Subordinated Debentures, subject to certain exceptions. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

## EVENTS OF DEFAULT; NOTICE; REMOVAL OF TRUSTEES

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

(i) the occurrence of a Debenture Event of Default under the Indenture (see "Description of Junior Subordinated Debentures--Debenture Events of Default" in the accompanying Prospectus);

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

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

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

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

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

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

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

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

#### REGISTRATION OF SERIES CAPITAL SECURITIES

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

A global security shall be exchangeable for Series Capital Securities registered in the names of persons other than DTC or its nominee only if (i) DTC notifies the Series Issuer that it is unwilling or unable to continue as a depository for such global security and no successor depository shall have been appointed, or if at any time DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered to act as such depository, (ii) the Series Issuer in its sole discretion determines that such global security shall be so exchangeable or (iii) there shall have occurred and be continuing an event of default under the Indenture with respect to the Series Subordinated Debentures. Any global security that is exchangeable pursuant to the preceding sentence shall be exchangeable for definitive certificates registered in such names as DTC shall direct. It is expected that such instructions will be based upon directions received by DTC from its Participants (as defined in the accompanying Prospectus) with respect to ownership of beneficial interests in such global security. In the event that Series Capital Securities are issued in definitive form, such Series Capital Securities will be in denominations of \$1,000 and integral multiples thereof and may be transferred or exchanged at the offices described below.

Payments on Series Capital Securities represented by a global security will be made to DTC, as the depository for the Series Capital Securities. In the event Series Capital Securities are issued in certificated form, the Liquidation Amount and Distributions will be payable, the transfer of the Series Capital Securities will be registrable, and Series Capital Securities will be exchangeable for Series Capital Securities of other denominations of a like aggregate Liquidation Amount, at the corporate office of the Property Trustee in New York, New York, or at the offices of any paying agent or transfer agent appointed by the Administrative Trustees; provided that payment of any Distribution may be made at the option of the Administrative Trustees by check mailed



to the address of the persons entitled thereto or by wire transfer. In addition, if the Series Capital Securities are issued in certificated form, the record dates for payment of Distributions will be the 15th day of the month immediately preceding the relevant Distribution payment date. For a description of DTC and the terms of the depositary arrangements relating to payments, transfers, voting rights, redemptions and other notices and other matters, see "Book-Entry Issuance" in the accompanying Prospectus.

#### CERTAIN TERMS OF SERIES SUBORDINATED DEBENTURES

##### GENERAL

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

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

The Series Subordinated Debentures will be issued as a series of junior subordinated deferrable interest debentures under the Indenture. The Series Subordinated Debentures will be issuable only in registered form without coupons in denominations of \$1,000 and any integral multiples thereof.

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

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

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

#### OPTION TO DEFER INTEREST PAYMENTS

So long as no event of default under the Indenture has occurred and is continuing, the Corporation has the right under the Indenture at any time or from time to time during the term of the Series Subordinated Debentures to defer payment of interest on the Series Subordinated Debentures for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period; provided that no Extension Period may extend beyond the Stated Maturity of the Series Subordinated Debentures. During an Extension Period, the Corporation will have the right to make partial payments of interest on any Interest Payment Date. At the end of such Extension Period, the Corporation must pay all interest then accrued and unpaid on the Series Subordinated Debentures (together with interest on such unpaid interest, to the extent permitted by applicable law, at the annual rate of %, compounded semi-annually from the relevant Interest Payment Date). During an Extension Period, a holder of Series Subordinated Debentures (or a holder of Series Capital Securities while such series is outstanding) will be required to accrue income (in the form of original issue discount) for United States federal income tax purposes. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

During any such Extension Period, the Corporation may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Corporation's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Corporation (including other series of Junior Subordinated Debentures) that, in either case, rank pari passu with or junior in interest to the Series Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Corporation of the debt securities of any subsidiary of the Corporation if such guarantee ranks pari passu with or junior in interest to the Series Securities (other than (a) dividends or distributions in capital stock of the Corporation, (b) any declaration of a dividend under a stockholders' rights plan or in connection with the implementation of a stockholders' rights plan, the issuance of capital stock of the Corporation under a stockholders' rights plan or the redemption or repurchase of any such rights distributed pursuant to a stockholders' rights plan, (c) payments under the Series Guarantee and (d) purchases of common stock related to the issuance of common stock or rights under any of the Corporation's benefit plans for its directors, officers or employees,

related to the issuance of common stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of common stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Corporation may further defer the payment of interest on the Series

Subordinated Debentures; provided that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Series Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded semi-annually from the relevant Interest Payment Date, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Corporation must give the Property Trustee, the Administrative Trustees and the Debenture Trustee notice of its election to begin such Extension Period at least one Business Day prior to the earliest of (i) the date Distributions on the Series Capital Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to the New York Stock Exchange, the Nasdaq National Market or other applicable stock exchange or automated quotation system on which the Series Capital Securities are then listed or quoted or to holders of Series Subordinated Debentures on the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Debenture Trustee shall give notice of the Corporation's election to begin a new Extension Period to the holders of the Series Subordinated Debentures. There is no limitation on the number of times that the Corporation may elect to begin an Extension Period. See "Description of Junior Subordinated Debentures--Option to Defer Interest Payments" in the accompanying Prospectus.

#### ADDITIONAL SUMS

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

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

#### REDEMPTION

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

The Redemption Price in the case of a redemption under (i) above shall equal the following prices, expressed in percentages of the principal amount, together with accrued interest to but excluding the Redemption Date. If redeemed during the 12-month period beginning :

YEAR ----	REDEMPTION PRICE -----
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	
.....	

and at 100% on or after .

The Redemption Price, in the case of a redemption following a Special Event as described under (ii) above, shall equal the Make-Whole Amount (as defined under "Certain Terms of Series Capital Securities--Redemption"), together with accrued interest to but excluding the Redemption Date.

#### DISTRIBUTION OF SERIES SUBORDINATED DEBENTURES

As described under "Certain Terms of Series Capital Securities--Liquidation of Series Issuer and Distribution of Series Subordinated Debentures to Holders", under certain circumstances involving the termination of the Series Issuer, Series Subordinated Debentures may be distributed to the holders of the Series Capital Securities upon liquidation of the Series Issuer after satisfaction of liabilities to creditors of the Series Issuer as provided by applicable law. If distributed to holders of Series Capital Securities, the Series Subordinated Debentures will initially be issued in the form of one or more global securities and DTC, or any successor depository for the Series Capital Securities, will act as depository for the Series Subordinated Debentures. There can be no assurance as to the market price of any Series Subordinated Debentures that may be distributed to the holders of Series Capital Securities.

#### CONDITIONAL RIGHT TO ADVANCE MATURITY

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

#### REGISTRATION OF SERIES SUBORDINATED DEBENTURES

The Series Subordinated Debentures will be registered in the name of the Property Trustee on behalf of the Series Issuer. In the event that the Series Debentures are distributed to

holders of Series Capital Securities, it is anticipated that the depositary and other arrangements for the Series Subordinated Debentures will be substantially identical to those in effect for the Series Capital Securities. See "Certain Terms of Series Capital Securities--Registration of Series Capital Securities".

#### CERTAIN TERMS OF SERIES GUARANTEE

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

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

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

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

### CLASSIFICATION OF THE SERIES ISSUER

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

## INTEREST INCOME AND ORIGINAL ISSUE DISCOUNT

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

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

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

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

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

## DISTRIBUTION OF SERIES SUBORDINATED DEBENTURES TO HOLDERS OF SERIES CAPITAL SECURITIES

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

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

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

#### SALE OR REDEMPTION OF SERIES CAPITAL SECURITIES

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

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

#### BACKUP WITHHOLDING TAX AND INFORMATION REPORTING

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

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



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

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

#### POSSIBLE TAX LAW CHANGES

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

#### ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (an "ERISA Plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Series Capital Securities. Among other factors, the fiduciary should consider whether such an investment is in accordance with the documents governing the ERISA Plan and whether the investment is appropriate for the ERISA Plan in view of its overall investment policy and diversification of its portfolio.

Certain provisions of ERISA and the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans subject to section 4975 of the Code (collectively, "Plans"), from engaging in certain transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the Plan. The U.S. Department of Labor has issued a final regulation (the "Regulation") with regard to whether the underlying assets of an entity in which employee benefit plans acquire equity interests are deemed to be plan assets.

Under such Regulation, for purposes of ERISA and section 4975 of the Code, the assets of the Series Issuer would be deemed to be "plan assets" of a Plan whose assets were used to purchase Series Capital Securities if the Series Capital Securities were considered to be equity interests in the Series Issuer and no exception to plan asset status were applicable under the Regulation.

If the assets of the Series Issuer were deemed to be plan assets of Plans that are holders of the Series Capital Securities, a Plan's investment in the Series Capital Securities might be deemed to constitute a delegation under ERISA of the duty to manage plan assets by a fiduciary investing in Series Capital Securities. In addition, the Corporation might be considered a "party in interest" or "disqualified person" with respect to Plans whose assets were used to purchase Series Capital Securities. If this were the case, an investment in Series Capital Securities by a Plan might constitute or, in the course of the operation of the Series Issuer, give rise to a prohibited transaction under ERISA or the Code. In particular, it is likely that, under such circumstances, a prohibited "extension of credit" to the Corporation would be considered to occur under ERISA and the Code.

Because of the possibility that the assets of the Series Issuer would be considered plan assets of Plans whose assets were invested in the Series Capital Securities, and the likelihood that under such circumstances a prohibited extension of credit would occur, the Series Capital Securities may be not purchased or held by any Plan or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), or PTCE 84-14 (for certain transactions determined by independent qualified asset managers). Any purchaser or holder of the Series Capital Securities or any interest therein will be deemed to have represented by its purchase and holding thereof that it either (a) is not a Plan and is not purchasing such securities on behalf of or with "plan assets" of any Plan or (b) is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

Due to the complexity of these rules and the penalties imposed upon persons involved in prohibited transactions, it is important that any person considering the purchase of Series Capital Securities with Plan assets consult with its counsel regarding the consequences under ERISA and the Code of the acquisition and ownership of Series Capital Securities and the availability of exemptive relief under the class exemptions listed above. Employee benefit plans which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) generally are not subject to ERISA requirements.

UNDERWRITING

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

UNDERWRITER -----	NUMBER OF SERIES CAPITAL SECURITIES -----
Goldman, Sachs & Co.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
	----
Total.....	====

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

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

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

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

Prior to this offering, there has been no public market for the Series Capital Securities. The Underwriters have advised the Corporation that they intend to make a market in the Series Capital Securities, but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series Capital Securities.

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

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

#### VALIDITY OF SECURITIES

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

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

SUBJECT TO COMPLETION, DATED JANUARY 21, 1997

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY , 1997

\$ ,000,000

HL&P CAPITAL TRUST [ ]

% TRUST PREFERRED SECURITIES, SERIES

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

HOUSTON LIGHTING & POWER COMPANY

-----

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

(Continued on next page)

-----

SEE "RISK FACTORS" BEGINNING ON PAGE S-4 HEREOF FOR CERTAIN INFORMATION RELEVANT TO AN INVESTMENT IN THE SERIES PREFERRED SECURITIES.

-----

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

-----

PROCEEDS TO  
 INITIAL PUBLIC UNDERWRITING THE SERIES  
 OFFERING PRICE COMMISSION(1) ISSUER(2)(3)

Per Series Preferred Security.....	\$	(2)	\$
Total.....	\$	(2)	\$

(1) The Series Issuer and the Corporation have each agreed to indemnify the several Underwriters against certain liabilities, including liabilities

under the Securities Act of 1933, as amended. See "Underwriting".

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

-----

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

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

-----

The date of this Prospectus Supplement is , 1997.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES PREFERRED SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

-----

(cover page continued)

-----  
Holders of the Series Preferred Securities will be entitled to receive preferential cumulative cash distributions accruing from the date of original issuance and payable quarterly in arrears on the day of , , and of each year, commencing , at the annual rate of % of the Liquidation Amount (as defined in the accompanying Prospectus) of \$25 per Series Preferred Security ("Distributions"). The ability of the Series Issuer to make timely payments of Distributions on the Series Preferred Securities is solely dependent upon the Corporation making interest payments on the Series Subordinated Debentures as and when required. Subject to certain exceptions, as described herein, the Corporation has the right to defer payment of interest on the Series Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each deferral period (each, an "Extension Period"); provided that no Extension Period may extend beyond the Stated Maturity of the Series

Subordinated Debentures. If interest payments on the Series Subordinated Debentures are so deferred, Distributions on the Series Preferred Securities will also be deferred, and the Corporation will not be permitted, subject to certain exceptions described herein, to declare or pay any cash distributions with respect to the Corporation's capital stock or debt securities that rank pari passu in all respects with or junior to the Series

Subordinated Debentures. During an Extension Period, interest on the Series

Subordinated Debentures will continue to accrue (and the amount of Distributions to which holders of the Series Preferred Securities are entitled will accumulate) at the rate of % per annum, compounded quarterly from the relevant payment date for such interest, and holders of Series Preferred Securities will be required to accrue interest income for United States federal income tax purposes. Upon the termination of any such Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded quarterly, to the extent permitted by applicable law), the Corporation may elect to begin a new Extension Period subject to the requirements set forth herein. See "Certain Terms of Series Subordinated Debentures--Option to Defer Interest Payments" and "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount".

The Series Subordinated Debentures (and therefore the Series Preferred Securities) are unsecured and subordinated to all existing and future Senior Debt (as defined in the accompanying Prospectus) of the Corporation. Substantially all of the Corporation's existing indebtedness constitutes Senior Debt. At September 30, 1996, the Senior Debt of the Corporation aggregated approximately \$3.0 billion. If the Transaction (as defined in the accompanying Prospectus) is consummated using the Alternative Merger (as defined in the accompanying Prospectus), Senior Debt of the Corporation will be substantially increased. See "Recent Developments; NorAm Merger" in the accompanying Prospectus. None of the Indenture, the related Guarantee, the related Trust Agreement or the Expense Agreement places any limitation on the amount of secured or unsecured debt, including Senior Debt, that may be incurred by the Corporation. See "Description of Junior Subordinated Debentures--Subordination" in the accompanying Prospectus.

The Corporation has, through the Series Guarantee, the Trust Agreement, the Series Subordinated Debentures, the Indenture and the Expense Agreement (each as defined herein), taken together, fully, irrevocably and unconditionally guaranteed all of the Series Issuer's

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

The obligations of the Corporation under the Series Guarantee, the Series Subordinated Debentures and with respect to the Series Preferred Securities are subordinate and junior in right of payment to all Senior Debt of the Corporation.

The Series Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Series Subordinated Debentures at their Stated Maturity or earlier redemption. The Series Subordinated Debentures are redeemable prior to their Stated Maturity at the option of the Corporation (i) on or after , , in whole at any time or in part from time to time, or (ii) at any time, in whole (but not in part) within 90 days following the occurrence of a Special Event (as defined herein). For a description of redemption prices for the Series Preferred Securities pursuant to clause (i) or (ii) above, see "Certain Terms of Series Preferred Securities--Redemption" and "Certain Terms of Series Subordinated Debentures--Redemption".

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

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

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



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

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

#### RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The holders of not less than a majority in aggregate Liquidation Amount of the Series Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Series Guarantee or to direct the exercise of any trust power conferred upon the Guarantee Trustee under the Series Guarantee. Any holder of the Series Securities may institute a legal proceeding directly against the Corporation to enforce its rights under the Series Guarantee without first instituting a legal proceeding against the Series Issuer, the Guarantee Trustee or any other person or entity. If the Corporation were to default on its obligation to pay amounts payable under the Series

Subordinated Debentures, the Series Issuer would lack funds for the payment of Distributions or amounts payable on redemption of the Series Securities or otherwise, and, in such event, holders of the Series Securities would not be able to rely upon the Series Guarantee for payment of such amounts. Instead, if a Debenture Event of Default shall have occurred and be continuing and such event is attributable to the failure of the Corporation to pay interest or premium, if any, on or principal of the Series

Subordinated Debentures on the applicable payment date, then a holder of Series Preferred Securities may institute a legal proceeding directly against the Corporation pursuant to the terms of the Indenture for enforcement of payment to such holder of the principal of or interest or premium, if any, on such Series Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Series Preferred Securities held by such holder (a "Direct Action"). In connection with such Direct Action, the Corporation will have a right of set-off under the Indenture to the extent of any payment made by the Corporation to such holder of Series Preferred Securities in the Direct Action. Except as described herein, holders of Series

Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Series Subordinated Debentures or assert directly any other rights in respect of the Series Subordinated Debentures. See "Description of Junior Subordinated Debentures--Enforcement of Certain Rights by Holders of Securities", "--Debenture Events of Default" and "Description of Guarantees" in the accompanying Prospectus. The Trust Agreement provides that each holder of Series Securities by acceptance thereof agrees to the provisions of the Series Guarantee and the Indenture.

#### LIMITED VOTING RIGHTS

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

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

#### TRADING CHARACTERISTICS OF SERIES PREFERRED SECURITIES

The Series Preferred Securities are expected to be listed on the NYSE, subject to official notice of issuance. The Series Preferred Securities may trade at prices that do not fully reflect the value of accrued and unpaid interest with respect to the underlying Series Subordinated Debentures. See "Certain Federal Income Tax Consequences--Interest Income and Original Issue Discount" and "--Sale or Redemption of Series Preferred Securities" for a discussion of the United States federal income tax consequences that may result from a taxable disposition of the Series Securities.

#### MARKET PRICES

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

#### HL&P CAPITAL TRUST [ ]

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

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

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



HOUSTON LIGHTING & POWER COMPANY

SELECTED FINANCIAL INFORMATION OF THE CORPORATION

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

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

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

RATIO OF EARNINGS TO FIXED CHARGES

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

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

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

USE OF PROCEEDS

All of the proceeds from the sale of the Series Preferred Securities will be invested by the Series Issuer in Series Subordinated Debentures. The Corporation intends that the proceeds from the sale of the Series Subordinated Debentures will be added to its general corporate funds and will be used for general corporate purposes, including funding the redemption or repurchase of shares of its outstanding preferred stock.

## CAPITALIZATION

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

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

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

### ACCOUNTING TREATMENT

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

## GENERAL

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

## DISTRIBUTIONS

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

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

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

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

#### REDEMPTION

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

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

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

The Corporation will have the right at any time to direct the Property Trustee to dissolve the Series Issuer and, after satisfaction of liabilities to creditors of the Series Issuer as required by applicable law, cause the Series Subordinated Debentures to be distributed to the holders of the Series Securities. See "Description of Securities--Liquidation Distribution Upon Termination" in the accompanying Prospectus.

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

LIQUIDATION VALUE

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

EVENTS OF DEFAULT; NOTICE; REMOVAL OF TRUSTEES

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

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

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

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

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

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

#### REGISTRATION OF SERIES PREFERRED SECURITIES

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

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

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

#### CERTAIN TERMS OF SERIES SUBORDINATED DEBENTURES

##### GENERAL

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

Concurrently with the issuance of the Series Preferred Securities, the Series Issuer will invest the proceeds thereof, together with the consideration paid by the Corporation for the Series Common Securities, in the Series Subordinated Debentures issued by the Corporation. The Series Subordinated Debentures will bear interest at the annual rate of % of the



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

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

The Series Subordinated Debentures will mature on \_\_\_\_\_, subject to advancement as described under "--Conditional Right to Advance Maturity".

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

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

#### OPTION TO DEFER INTEREST PAYMENTS

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

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

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

#### ADDITIONAL SUMS

If the Series Issuer is required to pay any additional taxes, duties or other governmental charges as a result of a Special Event, the Corporation will pay as additional amounts on the Series Subordinated Debentures such amounts as shall be required so that the Distributions payable by the Series

Issuer shall not be reduced as a result of any such additional taxes, duties or other governmental charges.

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

#### REDEMPTION

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

The Redemption Price for each Series Subordinated Debenture will be equal to the principal amount of \$25 plus accrued and unpaid interest to the date fixed for redemption.

#### DISTRIBUTION OF SERIES SUBORDINATED DEBENTURES

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

#### CONDITIONAL RIGHT TO ADVANCE MATURITY

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

#### REGISTRATION OF SERIES SUBORDINATED DEBENTURES

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

CERTAIN TERMS OF SERIES      GUARANTEE

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

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

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

The statements of law or legal conclusion set forth in this summary constitute the opinion of Baker & Botts, L.L.P., counsel to the Corporation and the Series Issuer. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, Internal Revenue Service rulings and pronouncements and judicial decisions in effect on the date of this Prospectus Supplement, all of which are subject to change at any time. Such changes may be applied retroactively in a manner that could cause the tax consequences to vary substantially from the consequences described below, possibly adversely affecting a beneficial owner of Series Preferred Securities. In particular, legislation was previously proposed that could have adversely affected the Corporation's ability to deduct interest on the Series

Subordinated Debentures, which would in turn have permitted the Corporation to cause a redemption of the Series Preferred Securities or to advance the Stated Maturity of the Series Subordinated Debentures. See "--Possible Tax Law Changes" and "Certain Terms of Series Subordinated Debentures-- Conditional Right to Advance Maturity". The authorities on which this summary is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the purchase, ownership and disposition of Series Preferred Securities may differ from the treatment described below.

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

### CLASSIFICATION OF THE SERIES ISSUER

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

## INTEREST INCOME AND ORIGINAL ISSUE DISCOUNT

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

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

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

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

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

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

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

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

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

#### SALE OR REDEMPTION OF SERIES PREFERRED SECURITIES

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

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

#### BACKUP WITHHOLDING TAX AND INFORMATION REPORTING

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

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

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

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

#### POSSIBLE TAX LAW CHANGES

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



UNDERWRITING

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

UNDERWRITER -----	NUMBER OF SERIES PREFERRED SECURITIES -----
Goldman, Sachs & Co.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Total.....	----- =====

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

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

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

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

Prior to this offering, there has been no public market for the Series Preferred Securities. The Corporation intends to make application to list the Preferred Securities on the NYSE. If approved, trading of the Preferred Securities on the NYSE is expected to commence within the 30-day period after the initial delivery of the Preferred Securities. In order to meet one of the requirements for listing the Preferred Securities on the NYSE, the Underwriters will undertake to sell lots of 100 or more Preferred Securities to a minimum of 400 beneficial holders. The Underwriters have advised the Corporation that they intend to make a market in the Series Preferred Securities, but are not

obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series Preferred Securities.

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

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

#### VALIDITY OF SECURITIES

Certain matters of Delaware law relating to the validity of the Series Preferred Securities, the enforceability of the Trust Agreement and the formation of the Series Issuer will be passed upon by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Corporation and the Series Issuer. The validity of the Series Guarantee and the Series

Subordinated Debentures will be passed upon for the Corporation by Baker & Botts, L.L.P., Houston, Texas. Certain legal matters will be passed upon for the Corporation by Hugh Rice Kelly, Esq., Executive Vice President, General Counsel and Corporate Secretary of the Corporation, and for the Underwriters by Dewey Ballantine, New York, New York. Certain matters relating to United States federal income tax considerations described in this Prospectus Supplement will be passed upon for the Corporation by Baker & Botts, L.L.P.

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

SUBJECT TO COMPLETION, DATED JANUARY 21, 1997

\$350,000,000

HOUSTON LIGHTING & POWER COMPANY

JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

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

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

HOUSTON LIGHTING & POWER COMPANY

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

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

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

(continued on next page)

-----

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

-----

The date of this Prospectus is January , 1997.

(cover page continued)

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

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

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

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

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

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

## AVAILABLE INFORMATION

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

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

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

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

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

Each document or report filed by the Corporation pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the termination of any offering of securities made

by this Prospectus shall be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the date of filing of such document. Any statement contained herein, or in any document all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

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

#### HOUSTON LIGHTING & POWER COMPANY

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

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

#### RECENT DEVELOPMENTS; NORAM MERGER

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

#### THE ISSUERS

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

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

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

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

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

#### USE OF PROCEEDS

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



## DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

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

### GENERAL

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

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

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

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

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

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

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

## DENOMINATIONS, REGISTRATION AND TRANSFER

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

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

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

## GLOBAL JUNIOR SUBORDINATED DEBENTURES

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

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

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

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

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

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

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

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

#### PAYMENT AND PAYING AGENTS

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

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

## OPTION TO DEFER INTEREST PAYMENTS

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

## REDEMPTION

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

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

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

## RESTRICTIONS ON CERTAIN PAYMENTS

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

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

#### MODIFICATION OF INDENTURE

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

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

#### DEBENTURE EVENTS OF DEFAULT

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

#### SATISFACTION AND DISCHARGE

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

## CONVERSION OR EXCHANGE

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

## SUBORDINATION

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

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

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

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

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

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

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

#### TRUST EXPENSES

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

#### GOVERNING LAW

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

#### INFORMATION CONCERNING THE DEBENTURE TRUSTEE

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

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

#### CORRESPONDING JUNIOR SUBORDINATED DEBENTURES

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

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

#### DESCRIPTION OF SECURITIES

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

## GENERAL

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

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

## DISTRIBUTIONS

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

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

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

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

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

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

#### REDEMPTION OR DISTRIBUTION

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

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

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

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

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

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

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

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

#### REDEMPTION PROCEDURES

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

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

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

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



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

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

#### SUBORDINATION OF COMMON SECURITIES

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

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

#### LIQUIDATION DISTRIBUTION UPON TERMINATION

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

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

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

#### EVENTS OF DEFAULT; NOTICE

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

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

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

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

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

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

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

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

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

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

#### REMOVAL OF ISSUER TRUSTEES

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

#### CO-TRUSTEES AND SEPARATE PROPERTY TRUSTEE

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

## MERGER OR CONSOLIDATION OF ISSUER TRUSTEES

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

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

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

## VOTING RIGHTS; AMENDMENT OF EACH TRUST AGREEMENT

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

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

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

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

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

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

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

#### GLOBAL SECURITIES

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

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

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

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

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

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

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

#### PAYMENT AND PAYING AGENT

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

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

#### REGISTRAR AND TRANSFER AGENT

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

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

#### INFORMATION CONCERNING THE PROPERTY TRUSTEE

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

#### MISCELLANEOUS

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

Holders of the Securities have no preemptive or similar rights.

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



## BOOK-ENTRY ISSUANCE

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

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

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

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

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

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

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

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

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

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

## DESCRIPTION OF GUARANTEES

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

### GENERAL

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

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

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

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

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

#### STATUS OF THE GUARANTEES

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

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

#### AMENDMENTS AND ASSIGNMENT

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

#### EVENTS OF DEFAULT

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

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

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

## INFORMATION CONCERNING THE GUARANTEE TRUSTEE

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

## TERMINATION OF THE GUARANTEES

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

## GOVERNING LAW

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

## THE EXPENSE AGREEMENT

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

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

## FULL AND UNCONDITIONAL GUARANTEE

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

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

#### SUFFICIENCY OF PAYMENTS

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

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

#### ENFORCEMENT RIGHTS OF HOLDERS OF SECURITIES

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

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

#### LIMITED PURPOSE OF ISSUERS

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

## RIGHTS UPON TERMINATION

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

## PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

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

#### VALIDITY OF SECURITIES

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

#### EXPERTS

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



-----  
 -----  
 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES DESCRIBED IN THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

-----  
 TABLE OF CONTENTS  
 PROSPECTUS SUPPLEMENT

	PAGE
	----
Risk Factors.....	S-4
HL&P Capital Trust [ ].....	S-9
Houston Lighting & Power Company Selected Financial Information of the Corporation.....	S-11
Ratio of Earnings to Fixed Charges.....	S-12
Use of Proceeds.....	S-12
Capitalization.....	S-13
Accounting Treatment.....	S-13
Certain Terms of Series Capital Securities.....	S-14
Certain Terms of Series Subordinated Debentures.....	S-20
Certain Terms of Series Guarantee.....	S-24
Certain Federal Income Tax Consequences.....	S-25
ERISA Considerations.....	S-28
Underwriting.....	S-30
Validity of Securities.....	S-31

PROSPECTUS

Available Information.....	3
Incorporation of Certain Documents by Reference.....	3
Houston Lighting & Power Company.....	4
Recent Developments; NorAm Merger.....	4
The Issuers.....	4
Use of Proceeds.....	5
Description of Junior Subordinated Debentures.....	6
Description of Securities.....	17
Book-Entry Issuance.....	30
Description of Guarantees.....	32
Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees.....	34
Plan of Distribution.....	36
Validity of Securities.....	37
Experts.....	37

-----  
 -----  
 -----  
 -----  
 HL&P CAPITAL TRUST [ ]

% CAPITAL SECURITIES, SERIES

FULLY AND UNCONDITIONALLY GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

-----

PROSPECTUS

-----

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

-----  
-----

-----  
 -----  
 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES DESCRIBED IN THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

-----  
 TABLE OF CONTENTS  
 PROSPECTUS SUPPLEMENT

	PAGE
	----
Risk Factors.....	S-5
HL&P Capital Trust [ ].....	S-10
Houston Lighting & Power Company Selected Financial Information of the Corporation.....	S-12
Ratio of Earnings to Fixed Charges.....	S-13
Use of Proceeds.....	S-13
Capitalization.....	S-14
Accounting Treatment.....	S-14
Certain Terms of Series Preferred Securities.....	S-15
Certain Terms of Series Subordinated Debentures.....	S-19
Certain Terms of Series Guarantee.....	S-23
Certain Federal Income Tax Consequences.....	S-24
Underwriting.....	S-28
Validity of Securities.....	S-29

PROSPECTUS

Available Information.....	3
Incorporation of Certain Documents by Reference.....	3
Houston Lighting & Power Company.....	4
Recent Developments; NorAm Merger.....	4
The Issuers.....	4
Use of Proceeds.....	5
Description of Junior Subordinated Debentures.....	6
Description of Securities.....	17
Book-Entry Issuance.....	30
Description of Guarantees.....	32
Relationship Among the Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees.....	34
Plan of Distribution.....	36
Validity of Securities.....	37
Experts.....	37

-----  
 -----  
 -----  
 -----  
 HL&P CAPITAL TRUST [ ]

% TRUST PREFERRED  
 SECURITIES, SERIES

FULLY AND UNCONDITIONALLY GUARANTEED, AS DESCRIBED HEREIN, BY

HOUSTON LIGHTING & POWER COMPANY

-----  
 PROSPECTUS

-----

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

-----

-----

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the estimated expenses payable by the Corporation in connection with the offering described in this Registration Statement.

Securities and Exchange Commission Filing Fee.....	\$106,061
Blue Sky fees and expenses.....	20,000
Trustees' fees and expenses.....	30,000
Attorney's fees and expenses.....	130,000
Independent Auditor's fees and expenses.....	50,000
Printing and engraving expenses.....	50,000
Rating agency fees.....	89,000
Miscellaneous expenses.....	4,939
	-----
Total.....	\$480,000
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

Additionally, Article IX of the Corporation's Restated Articles of Incorporation, as amended, provides that a director of the Corporation is not liable to the Corporation or its shareholders for monetary damages for any act or omission in the director's capacity as a director, except that Article IX does not eliminate or limit the liability of a director for (i) breaches of such director's duty of loyalty to the Corporation and its shareholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law, (iii) transactions from which a director receives an improper benefit, irrespective of whether the benefit resulted from an action taken within the scope of the director's office, (iv) acts or omissions for which liability is specifically provided by statute and (v) acts relating to unlawful stock repurchases or payments of dividends.

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

In underwriting agreements or agency agreements entered into in connection with the offering described in this Registration Statement, it may be provided that the underwriters or agents shall indemnify the Corporation, its directors and certain officers of the Corporation against liabilities resulting from information furnished by or on behalf of the underwriters or agents specifically for use in the Registration Statement.

See "Item 17. Undertakings" for a description of the Commission's position regarding such indemnification provisions.

ITEM 16. EXHIBITS.

See Index to Exhibits at page II-8.

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement);

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the Registration Statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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

(c) The undersigned registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, HL&P CAPITAL TRUST I CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JANUARY 21, 1997.

HL&P Capital Trust I

By: Houston Lighting & Power  
Company Depositor

/s/ Hugh Rice Kelly

By: \_\_\_\_\_  
(HUGH RICE KELLY, EXECUTIVE VICE  
PRESIDENT, GENERAL COUNSEL AND  
CORPORATE SECRETARY)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, HL&P CAPITAL TRUST II CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JANUARY 21, 1997.

HL&P Capital Trust II

By: Houston Lighting & Power  
Company Depositor

/s/ Hugh Rice Kelly

By: \_\_\_\_\_  
(HUGH RICE KELLY, EXECUTIVE VICE  
PRESIDENT, GENERAL COUNSEL AND  
CORPORATE SECRETARY)



PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, HL&P CAPITAL TRUST III CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JANUARY 21, 1997.

HL&P Capital Trust III

By: Houston Lighting & Power  
Company Depositor

/s/ Hugh Rice Kelly

By: \_\_\_\_\_  
(HUGH RICE KELLY, EXECUTIVE VICE  
PRESIDENT, GENERAL COUNSEL AND  
CORPORATE SECRETARY)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, HL&P CAPITAL TRUST IV CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JANUARY 21, 1997.

HL&P Capital Trust IV

By: Houston Lighting & Power  
Company Depositor

/s/ Hugh Rice Kelly

By: \_\_\_\_\_  
(HUGH RICE KELLY, EXECUTIVE VICE  
PRESIDENT, GENERAL COUNSEL AND  
CORPORATE SECRETARY)

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JANUARY 21, 1997.

Houston Lighting & Power Company  
(Registrant)

/s/ Don D. Jordan

By: \_\_\_\_\_  
(DON D. JORDAN, CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
----- /s/ Don D. Jordan (DON D. JORDAN)	Chairman, Chief Executive Officer and Director (Principal Executive Officer and Principal Financial Officer)	January 21, 1997
----- /s/ Mary P. Ricciardello (MARY P. RICCIARDELLO)	Vice President and Comptroller (Principal Accounting Officer)	January 21, 1997
----- /s/ William T. Cottle (WILLIAM T. COTTLE)	Director	January 21, 1997
----- /s/ Jack D. Greenwade (JACK D. GREENWADE)	Director	January 21, 1997
----- /s/ Lee W. Hogan (LEE W. HOGAN)	Director	January 21, 1997

## SIGNATURE

## TITLE

## DATE

/s/ Hugh Rice Kelly

Director

January 21,  
1997-----  
(HUGH RICE KELLY)

/s/ R. Steve Letbetter

Director

January 21,  
1997-----  
(R. STEVE LETBETTER)

/s/ David M. McClanahan

Director

January 21,  
1997-----  
(DAVID M. MCCLANAHAN)

/s/ Stephen W. Naeve

Director

January 21,  
1997-----  
(STEPHEN W. NAEVE)

/s/ S. C. Schaeffer

Director

January 21,  
1997-----  
(S. C. SCHAEFFER)

/s/ R. L. Waldrop

Director

January 21,  
1997-----  
(R. L. WALDROP)

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	PAGE NUMBER -----
1.1	--Form of Underwriting Agreement relating to Junior Subordinated Debentures.*
1.2	--Form of Underwriting Agreement relating to Capital Securities.
1.3	--Form of Underwriting Agreement relating to Preferred Securities.
4.1	--Form of Junior Subordinated Debenture Indenture between Houston Lighting & Power Company and The Bank of New York, as Trustee.
4.2-A	--Form of Supplemental Indenture to Junior Subordinated Debenture Indenture to be used in connection with the issuance of Junior Subordinated Debentures relating to Capital Securities.
4.2-B	--Form of Supplemental Indenture to Junior Subordinated Debenture Indenture to be used in connection with the issuance of Junior Subordinated Debentures relating to Preferred Securities.
4.3-A	--Certificate of Trust of HL&P Capital Trust I.
4.3-B	--Certificate of Trust of HL&P Capital Trust II.
4.3-C	--Certificate of Trust of HL&P Capital Trust III.
4.3-D	--Certificate of Trust of HL&P Capital Trust IV.
4.4-A	--Trust Agreement of HL&P Capital Trust I.
4.4-B	--Trust Agreement of HL&P Capital Trust II.
4.4-C	--Trust Agreement of HL&P Capital Trust III.
4.4-D	--Trust Agreement of HL&P Capital Trust IV.
4.5-A	--Form of Amended and Restated Trust Agreement relating to Capital Securities.
4.5-B	--Form of Amended and Restated Trust Agreement relating to Preferred Securities.
4.6-A	--Form of Capital Security (included in Exhibit 4.5-A above).
4.6-B	--Form of Preferred Security (included in Exhibit 4.5-B above).
4.7-A	--Form of Junior Subordinated Debenture relating to Capital Securities (included in Exhibit 4.2-A above).
4.7-B	--Form of Junior Subordinated Debenture relating to Preferred Securities (included in Exhibit 4.2-B above).
4.8-A	--Form of Guarantee Agreement relating to Capital Securities.
4.8-B	--Form of Guarantee Agreement relating to Preferred Securities.
4.9-A	--Form of Agreement as to Expenses and Liabilities relating to Capital Securities (included in Exhibit 4.5-A above).
4.9-B	--Form of Agreement as to Expenses and Liabilities relating to Preferred Securities (included in Exhibit 4.5-B above).
5.1	--Opinion of Baker & Botts, L.L.P. relating to HL&P Capital Trusts I, II, III and IV.
5.2-A	--Opinion of Richards, Layton & Finger relating to HL&P Capital Trust I.
5.2-B	--Opinion of Richards, Layton & Finger relating to HL&P Capital Trust II.
5.2-C	--Opinion of Richards, Layton & Finger relating to HL&P Capital Trust III.
5.2-D	--Opinion of Richards, Layton & Finger relating to HL&P Capital Trust IV.
8.1	--Tax Opinion of Baker & Botts, L.L.P.
12	--Computation of ratios of earnings to fixed charges and earnings to fixed charges and preferred dividends (incorporated by reference to Exhibit 12 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

- 23.1 --Consent of Deloitte & Touche LLP.
- 23.2 --Consent of Baker & Botts, L.L.P. (included in Exhibits 5.1 and 8.1).
- 23.3 --Consent of Richards, Layton & Finger (included in Exhibits 5.2-A, 5.2-B, 5.2-C and 5.2-D).
- 24.1 --Powers of Attorney.
- 25.1 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Indenture Trustee.
- 25.2 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust I in connection with Capital Securities.
- 25.3 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust I in connection with Capital Securities.
- 25.4 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust II in connection with Capital Securities.
- 25.5 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust II in connection with Capital Securities.
- 25.6 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust III in connection with Capital Securities.
- 25.7 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust III in connection with Capital Securities.
- 25.8 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust IV in connection with Capital Securities.
- 25.9 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust IV in connection with Capital Securities.
- 25.10 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of the Bank of New York, as Property Trustee, relating to HL&P Capital Trust I in connection with Preferred Securities.
- 25.11 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust I in connection with Preferred Securities.
- 25.12 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust II in connection with Preferred Securities.
- 25.13 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust II in connection with Preferred Securities.

EXHIBIT  
NUMBER

PAGE  
NUMBER

- 
- 25.14 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust III in connection with Preferred Securities.
  - 25.15 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust III in connection with Preferred Securities.
  - 25.16 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Property Trustee, relating to HL&P Capital Trust IV in connection with Preferred Securities.
  - 25.17 --Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Bank of New York, as Guarantee Trustee, relating to HL&P Capital Trust IV in connection with Preferred Securities.

-----  
\* To be subsequently filed.

HL&P Capital Trust \_\_\_\_

\_\_\_\_\_% Capital Securities, Series \_\_\_\_  
guaranteed to the extent set forth in the Guarantee by

Houston Lighting & Power Company

-----

Underwriting Agreement

-----

\_\_\_\_\_, 19\_\_

Goldman, Sachs & Co.  
Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
c/o Goldman, Sachs & Co.  
85 Broad Street,  
New York, New York 10004

Ladies and Gentlemen:

HL&P Capital Trust \_\_\_\_, a statutory business trust created under the laws of the State of Delaware (the "Trust"), and Houston Lighting & Power Company, a Texas corporation, as depositor 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 [\$\_\_\_\_\_] liquidation amount of \_\_\_\_% Capital Securities, Series \_\_\_\_ (liquidation amount \$1,000 per capital 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 [\$\_\_\_\_\_] liquidation amount of its Common Securities (liquidation amount \$1,000 per common security) (the "Common Securities") by the Trust are to be invested in Junior Subordinated Debentures, Series \_\_\_\_ (the "Subordinated Debentures") of the Guarantor to be issued pursuant to an Indenture (the "Indenture") among the Guarantor and The Bank of New York, as trustee (the "Debenture Trustee").

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

-----

(a) 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 with respect to the Securities, the Subordinated Debentures and the Guarantee (File Nos. 333-\_\_\_\_ and 333-\_\_\_\_) 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 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 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, the Basic Prospectus, the Preliminary Supplemented Prospectus or the 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, dated, subject to completion, January \_\_, 1997, as supplemented and amended, is hereinafter called the "Preliminary Supplemented Prospectus". 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) under the Act ("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 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; 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 as a business trust in good standing under the laws of the State of Delaware, with 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 Trust Agreement, 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 Trust Agreement (the "Trust Agreement") among the Guarantor and the Trustees named therein (the "Trustees")(subject to the terms of the Trust Agreement); provided that the holders of Securities (the "Securityholders") may be obligated, pursuant to the Trust Agreement, 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 Trust Agreement) to exercise its rights and remedies under the Trust Agreement; 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 of the Trust have been duly authorized by the Trust Agreement, and upon delivery by the Trust to the Guarantor against payment therefor as set forth in the Trust Agreement, 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 of the Trust is not subject to preemptive or other similar rights; and at the Time of Delivery, all of the issued and outstanding Common Securities of the Trust 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 Trust Agreement, the Subordinated Debentures, the Indenture and the Agreement as to Expenses and Liabilities between the Guarantor and the Trust (the "Expense Agreement") (the Guarantee, the Trust Agreement, the Subordinated Debentures, the Indenture and the Expense Agreement 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 Trust Agreement, 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 Trust Agreement, the purchase of the Subordinated Debentures by the Trust, the execution, delivery and performance by the Trust of the Trust Agreement 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 Trust Agreement 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 Trust Agreement 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 Trust Agreement, the Indenture and the Expense Agreement, 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) 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 Trust Agreement 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 a purchase price of 100% of the liquidation amount thereof, 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 issued by the Trust to purchase the Subordinated Debentures of the Guarantor, the Guarantor hereby agrees to pay at the Time of Delivery to Goldman, Sachs & Co., for the accounts of the several Underwriters, an amount equal to \$[ ] per Security 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 \$\_\_\_\_\_.

(c) Except as set forth in the next paragraph, 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 Goldman, Sachs & Co., 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 Goldman, Sachs & Co., by causing DTC to credit the Securities to the account of Goldman, Sachs & Co. at DTC. The Trust will cause the global certificates representing the Securities to be made available to Goldman, Sachs & Co. 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 \_\_\_\_\_, 19\_\_ or such other time and date as Goldman, Sachs & Co. 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(k) hereof, will be delivered at such time and date at the offices of Dewey Ballantine, 1301 Avenue of the Americas, New York, New York 10019 or such other location as Goldman Sachs & Co. 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 Goldman Sachs & Co. 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, 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 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 Goldman, Sachs & Co. and to Dewey Ballantine, 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, to deliver a Prospectus, the Underwriters or Dewey Ballantine, 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 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 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 Junior Subordinated Notes, 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 earnings 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 the Underwriters.

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 Guarantees 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 Trust Agreement 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 of the Guarantor or an authorized agent of the Guarantor designated as such by the Board of Directors 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 of the Guarantor or an executive officer of Houston Industries Incorporated ("Houston Industries") to the foregoing effect. The officers or agents making such certificates may rely upon the best of his knowledge as to proceedings pending or threatened.

(b) Dewey Ballantine, 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 Houston Industries under the 1935 Act (as defined herein) upon the opinions of Baker & Botts L.L.P. referred to in (d) below and Hugh Rice Kelly or such other counsel referred to in (c) below and (ii) as to matters of Delaware law upon the opinion of Richards, Layton & Finger referred to in (e) below.

(c) Hugh Rice Kelly, Senior Vice President, General Counsel, and Corporate Secretary for 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 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;



- (iv) 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 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
- (v) 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, 1995 under the captions "Business--Regulatory Matters--Rates and Services" and "--Environmental Quality" 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 Supplemental Prospectus under the captions "Description of Capital Securities", "Description of Junior Subordinated Debentures", "Description of Guarantees", "The Expense Agreement" and "Relationship Among the Capital Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees", accurately summarize in all material respects the terms of the Securities, the Trust Agreement, the Subordinated Debentures, the Expense Agreement and the Guarantee, and the statements under the caption "Certain ERISA Considerations" insofar as they purport to describe the provisions of the laws and regulations referred to therein are accurate summaries in all materials respects thereof;
- (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 under the captions "Certain Terms of Series \_\_\_ Capital Securities", "Certain Terms of Series \_\_\_ Subordinated Debentures", and "Certain Terms of Series \_\_\_ Guarantee" and in the Basic Prospectus under the

captions "Description of Junior Subordinated Debentures", "Description of Securities", "Description of Guarantees", and "Relationship Among Securities, The Corresponding Junior Subordinated Debentures, The Expense Agreement and The Guarantees", respectively;

- (v) 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 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); 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 Trustee thereunder) 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 Trust Agreement, the Indenture and the Expense Agreement 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 Trust Agreement and the Indenture have been duly qualified under the TIA;
- (vii) Based upon the timely filing by Houston Industries with the commission of an exemption statement pursuant to Rule 2 under the Public Utility Holding Company Act of 1935 ("1935 Act") which, to the best of the knowledge of such counsel, is not the subject of any notification provided for in Rule 6 under the 1935 Act, Houston Industries is exempt from the provisions of the 1935 Act except Sections 9(a)(2), 32 and 33 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 (in giving such opinion counsel may reference specified "no-action" letters);
- (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 \_\_\_\_\_, 19\_\_, (except for (A) the operating statistics, financial statements and financial statement schedules contained or incorporated by reference therein or omitted therefrom (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 or omitted therefrom 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 or omitted therefrom (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 or omitted therefrom 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 statements 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 Trust Agreement, the Trust has the trust power and authority to own property and conduct its business, all as described in the Prospectus;
- (iii) The Trust Agreement 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 Trust Agreement of (i) bankruptcy, insolvency, fraudulent transfer and conveyance, reorganization, moratorium, receivership, liquidation and similar laws of general applicability relating to or affecting creditors' rights, (ii) principles of equity, including applicable law relating to fiduciary duties, 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, the Original Trust Agreement (as defined in the Trust Agreement) and the Trust Agreement, 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, the Original Trust Agreement and the Trust Agreement, 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, the Original Trust Agreement and the Trust Agreement, this Agreement has been duly executed by the Trust;
- (vii) The Securities have been duly authorized by the Trust Agreement 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 Trust Agreement (subject to the terms of the Trust Agreement); provided that such counsel may note that the Securityholders may be obligated, pursuant to the Trust Agreement, to (a) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Capital Securities Certificates and the issuance of replacement Capital Securities Certificates and (b) provide security and indemnity in connection with requests of or directions to the Property Trustee (as defined in the Trust Agreement) to exercise its rights and remedies under the Trust Agreement. 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 Trust Agreement 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 Trust Agreement, 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 Trust Agreement 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 Trust Agreement, or (b) any applicable Delaware law or administrative regulation;
- (xi) Such counsel has reviewed the statements in the Basic Prospectus under the caption "The Issuers" and the statements in the Preliminary Supplemented Prospectus and Final Supplemented Prospectus under the caption "HL&P Capital Trust \_\_\_" 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) Assuming that (i) the Trust derives no income from or connected with sources within the State of Delaware and has no assets, activities (other than maintaining the Delaware Trustee and the filing of documents with the Secretary of State of the State of Delaware) or employees in the State of Delaware, and (ii) the Trust is treated as a grantor trust for federal income tax purposes, 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 Income Tax Consequences".

(g) 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.

(h) 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 (g) 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.

(i) A Special Event (as defined in the Final Supplemented Prospectus, except that the reference to effectiveness or announcement on or after the date of issuance of the Securities shall be deemed a reference to effectiveness or announcement on or after the date of this Agreement) shall not have occurred and be continuing.

(j) 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 administrators 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 Goldman, Sachs & Co. 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, Basic Prospectus, Prospectus, Preliminary Supplemented Prospectus or 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 Goldman, Sachs & Co. 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 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 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 Goldman Sachs & Co. specifically for use in the preparation thereof; 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 of any such director, officer, trustee or controlling person and such Underwriter and the Guarantor or the Trust of 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 of 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 principal amount of such Securities which such defaulting Underwriter agreed but failed to purchase does not exceed 10% of the aggregate principal amount of all the Securities, the non-defaulting Underwriters may make arrangements satisfactory to the Guarantor and Trust for the purchase of the aggregate principal 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 principal amount of such Securities with respect to which such default or defaults occur is more than 10% of the aggregate principal 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 principal 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 Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Registration Department; (ii) if to the Guarantor shall be delivered or sent by mail, telex or facsimile transmission to the Guarantor in care of Houston Industries Incorporated, 1111 Louisiana, Houston, Texas 77002, Attention, Assistant Treasurer; and (iii) if to the Trust shall be delivered or sent by mail, telex or facsimile transmission to the Trust, 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

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,

HL&P Capital Trust \_\_\_\_  
By: Houston Lighting & Power Company, as Depositor

By: \_\_\_\_\_  
Name:  
Title:

Houston Lighting & Power Company

By: \_\_\_\_\_  
Name:  
Title:

Accepted as of the date hereof:  
Goldman, Sachs & Co.  
Merrill Lynch, Pierce, Fenner  
& Smith Incorporated

By: \_\_\_\_\_  
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

	Underwriters -----	Liquidation Amount of Securities to be Purchased -----
Goldman, Sachs & Co. ....		\$
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....		
Total.....		[\$            ]

Exhibit 1.3

HL&P CAPITAL TRUST \_\_\_\_\_

\_\_\_\_\_% Trust Preferred Securities, Series \_\_\_\_  
guaranteed to the extent set forth in the Guarantee by

Houston Lighting & Power Company  
-----

Underwriting Agreement  
-----

\_\_\_\_\_, 19\_\_

Goldman, Sachs & Co.  
Merrill Lynch, Pierce, Fenner  
& Smith Incorporated  
c/o Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004

Ladies and Gentlemen:

HL&P Capital Trust \_\_\_\_\_, a statutory business trust created under the laws of the State of Delaware (the "Trust"), and Houston Lighting & Power Company, a Texas corporation, as depositor 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 1 hereto (the "Underwriters") an aggregate of [\$\_\_\_\_\_] liquidation amount of \_\_\_\_\_% Cumulative Trust Preferred Securities, Series \_\_\_\_ (liquidation amount \$25 per capital 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 [\$\_\_\_\_\_] liquidation amount of its Common Securities (liquidation amount \$25 per common security) (the "Common Securities") by the Trust are to be invested in Junior Subordinated Debentures, Series \_\_\_\_ (the "Subordinated Debentures") of the Guarantor to be issued pursuant to an Indenture (the "Indenture") among the Guarantor and The Bank of New York, as trustee (the "Debenture Trustee").

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

(a) 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 with respect to the Securities, the Subordinated Debentures and the Guarantee (File Nos. 333-\_\_\_\_ and 333-\_\_\_\_) 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 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, the Basic Prospectus, the Preliminary Supplemented Prospectus or the 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, dated, subject to completion, January \_\_, 1997, as supplemented and amended, is hereinafter called the "Preliminary Supplemented Prospectus". 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) under the Act ("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 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; 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 as a business trust in good standing under the laws of the State of Delaware, with 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 Trust Agreement, 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 Trust Agreement (the "Trust Agreement") among the Guarantor and the Trustees named therein (the "Trustees") (subject to the terms of the Trust Agreement); provided that the holders of securities ("the Securityholders") may be obligated, pursuant to the Trust Agreement, 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 Trust Agreement) to exercise its rights and remedies under the Trust Agreement; 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 of the Trust have been duly authorized by the Trust Agreement, and upon delivery by the Trust to the Guarantor against payment therefor as set forth in the Trust Agreement, will be duly and validly issued and 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 of the Trust is not subject to preemptive or other similar rights; and at the Time of Delivery, all of the issued and outstanding Common Securities of the Trust 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 Trust Agreement, the Subordinated Debentures, the Indenture and the Agreement as to Expenses and Liabilities between the Guarantor and the Trust (the "Expense Agreement") (the Guarantee, the Trust Agreement, the Subordinated Debentures, the Indenture and the Expense Agreement 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 Trust Agreement, 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 and the respective trustees, 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 Trust Agreement, the purchase of the Subordinated Debentures by the Trust, the execution, delivery and performance by the Trust of the Trust Agreement 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 Trust Agreement 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 Trust Agreement 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 Trust Agreement, the Indenture and the Expense Agreement, 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) 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 Trust Agreement 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 a purchase price of 100% of the liquidation amount thereof, 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 issued by the Trust to purchase the Subordinated Debentures of the Guarantor, the Guarantor hereby agrees to pay at the Time of Delivery to Goldman, Sachs & Co., for the accounts of the several Underwriters, an amount equal to \$[ ] per Security 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 \$\_\_\_\_\_.

(c) Except as set forth in the next paragraph, 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 Goldman, Sachs & Co., 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 Goldman, Sachs & Co., by causing DTC to credit the Securities to the account of Goldman, Sachs & Co. at DTC. The Trust will cause the global certificates representing the Securities to be made available to Goldman, Sachs & Co. 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 \_\_\_\_\_, 19\_\_ or such other time and date as Goldman, Sachs & Co. 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(k) hereof, will be delivered at such time and date at the offices of Dewey Ballantine, 1301 Avenue of the Americas, New York, New York 10019 or such other location as Goldman Sachs & Co. 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 at such other time as the Goldman, Sachs & Co. 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, 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 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 Goldman, Sachs & Co. and to Dewey Ballantine, 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, to deliver a Prospectus, the Underwriters or Dewey Ballantine, 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 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 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 Junior Subordinated Notes, 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 earnings 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 the Underwriters.

(g) That the Guarantor and the Trust will use best efforts to effect the listing of the Securities on the New York Stock Exchange; 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 Guarantees 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 Trust Agreement 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; (viii) the fees and expenses incurred in connection with the listing of the Securities and, if applicable, the Junior Subordinated Notes on the New York Stock Exchange; and (ix) 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 of the Guarantor or an authorized agent of the Guarantor designated as such by the Board of Directors 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 of the Guarantor or an executive officer of Houston Industries Incorporated ("Houston Industries") to the foregoing effect. The officers or agents making such certificates may rely upon the best of his knowledge as to proceedings pending or threatened.

(b) Dewey Ballantine, 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 Houston Industries under the 1935 Act (as defined herein) upon the opinions of Baker & Botts L.L.P. referred to in (d) below and Hugh Rice Kelly or such other counsel referred to in (c) below and (ii) as to matters of Delaware law upon the opinion of Richards, Layton & Finger referred to in (e) below.

(c) Hugh Rice Kelly, Senior Vice President, General Counsel, and Corporate Secretary for 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 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;
- (iv) 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 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
- (v) 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, 1995 under the captions "Business--Regulatory Matters -- Rates and Services" and "-- Environmental Quality" 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 described and filed;
- (ii) The statements set forth in the Final Supplemental Prospectus under the captions "Description of Capital Securities", "Description of Junior Subordinated Debentures", "Description of Guarantees", "The Expense Agreement" and "Relationship Among the Capital Securities, the Corresponding Junior Subordinated Debentures, the Expense Agreement and the Guarantees", accurately summarize in all material respects the terms of the Securities, the Trust Agreement, the Subordinated Debentures, the Expense Agreement and the Guarantee, and the statements under the caption "Certain ERISA Considerations" insofar as they purport to describe the provisions of the laws and regulations referred to therein are accurate summaries in all material respects thereof;



- (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 under the captions "Certain Terms of Series \_\_\_ Capital Securities", "Certain Terms of Series \_\_\_ Subordinated Debentures", and "Certain Terms of Series \_\_\_ Guarantee" and in the Basic Prospectus under the captions "Description of Junior Subordinated Debentures", "Description of Securities", "Description of Guarantees", and "Relationship Among Securities, The Corresponding Junior Subordinated Debentures, The Expense Agreement and The 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 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); 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 Trustee thereunder) 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 Trust Agreement, the Indenture and the Expense Agreement 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);
- (v) The Guarantee, the Trust Agreement and the Indenture have been duly qualified under the TIA;
- (vi) Based upon the timely filing by Houston Industries with the Commission of an exemption statement pursuant to Rule 2 under the Public Utility Holding Company Act of 1935 ("1935 Act") which, to the best of the

knowledge of such counsel, is not the subject of any notification provided for in Rule 6 under the 1935 Act, Houston Industries is exempt from the provisions of the 1935 Act except Sections 9(a)(2), 32 and 33 thereof;

- (vii) 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 (in giving such opinion counsel may reference specified "no-action" letters);
- (viii) 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 \_\_\_\_\_, 19\_\_, (except for (A) the operating statistics, financial statements and financial statement schedules contained or incorporated by reference therein or omitted therefrom (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 or omitted therefrom 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 or omitted therefrom (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 or omitted therefrom 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
- (ix) 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 Trust Agreement, the Trust has the trust power and authority to own property and conduct its business, all as described in the Prospectus;
- (iii) The Trust Agreement 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 Trust Agreement of (i) bankruptcy, insolvency, fraudulent transfer and conveyance, reorganization, moratorium, receivership, liquidation and similar laws of general applicability relating to or affecting creditors' rights, (ii) principles of equity, including applicable law relating to fiduciary duties,

- 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, the Original Trust Agreement (as defined in the Trust Agreement) and the Trust Agreement, 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, the Original Trust Agreement and the Trust Agreement, 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, the Original Trust Agreement and the Trust Agreement, the Agreement has been duly executed by the Trust;
  - (vii) The Securities have been duly authorized by the Trust Agreement 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 Trust Agreement (subject to the terms of the Trust Agreement); provided that such counsel may note that the Securityholders may be obligated, pursuant to the Trust Agreement, to (a) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Capital Securities Certificates and the issuance of replacement Capital Securities Certificates and (b) provide security and indemnity in connection with requests of or directions to the Property Trustee (as defined in the Trust Agreement) to exercise its rights and remedies under the Trust Agreement. 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 Trust Agreement 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 Trust Agreement, 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 Trust Agreement 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 Trust Agreement, or (b) any applicable Delaware law or administrative regulation;
  - (xi) Such counsel has reviewed the statements in the Basic Prospectus under the caption "The Issuers" and the statements in the Preliminary

Supplemented Prospectus and Final Supplemented Prospectus under the caption "HL&P Capital Trust \_\_\_\_" 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) Assuming that (i) the Trust derives no income from or connected with sources within the State of Delaware and has no assets, activities (other than maintaining the Delaware Trustee and the filing of documents with the Secretary of State of the State of Delaware) or employees in the State of Delaware, and (ii) the Trust is treated as a grantor trust for federal income tax purposes, 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 Income Tax Consequences".

(g) 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.

(h) 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 (g) 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.

(i) A Special Event (as defined in the Final Supplemented Prospectus, except that the reference to effectiveness or announcement on or after the date of issuance of the Securities shall be deemed a reference to effectiveness or announcement on or after the date of this Agreement) shall not have occurred and be continuing.

(j) 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 administrators 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 Goldman, Sachs & Co. 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, Basic Prospectus, Prospectus, Preliminary Supplemented Prospectus or 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 Goldman, Sachs & Co. 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 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 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 Goldman Sachs & Co. specifically for use in the preparation thereof; 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 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 of any such director, officer, trustee or controlling person and such Underwriter and the Guarantor or the Trust of 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 of 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 principal amount of such Securities which such defaulting Underwriter agreed but failed to purchase does not exceed 10% of the aggregate principal amount of all the Securities, the non-defaulting Underwriters may make arrangements satisfactory to the Guarantor and Trust for the purchase of the aggregate principal 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 principal amount of such Securities with respect to which such default or defaults occur is more than 10% of the aggregate principal 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 principal 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 Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, Attention: Registration Department; (ii) if to the Guarantor shall be delivered or sent by mail, telex or facsimile transmission to the Guarantor in care of Houston Industries Incorporated, 1111 Louisiana, Houston, Texas 77002, Attention, Assistant Treasurer; and (iii) if to the Trust shall be delivered or sent by mail, telex or facsimile transmission to the Trust, 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

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,

HL&P Capital Trust \_\_\_\_  
By: Houston Lighting & Power Company, as Depositor

By: \_\_\_\_\_  
Name:  
Title:

Houston Lighting & Power Company

By: \_\_\_\_\_  
Name:  
Title:

Accepted as of the date hereof:  
Goldman, Sachs & Co.  
Merrill Lynch, Pierce, Fenner  
& Smith Incorporated

By: \_\_\_\_\_  
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

Underwriters  
-----

Liquidation  
Amount of  
Securities  
to be  
Purchased  
-----

Goldman, Sachs & Co. ....	\$
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Total .....	[_____]

HOUSTON LIGHTING & POWER COMPANY

to

THE BANK OF NEW YORK,

Trustee

-----  
JUNIOR SUBORDINATED INDENTURE

Dated as of \_\_\_\_\_ 1, 1997  
-----

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1.	Definitions.....	1
SECTION 1.2.	Compliance Certificate and Opinions.....	11
SECTION 1.3.	Forms of Documents Delivered to Trustee.....	12
SECTION 1.4.	Acts of Holders.....	13
SECTION 1.5.	Notices, Etc. to Trustee and Company.....	15
SECTION 1.6.	Notice to Holders; Waiver.....	16
SECTION 1.7.	Conflict with Trust Indenture Act.....	16
SECTION 1.8.	Effect of Headings and Table of Contents.....	16
SECTION 1.9.	Successors and Assigns.....	16
SECTION 1.10.	Separability Clause.....	16
SECTION 1.11.	Benefits of Indenture.....	17
SECTION 1.12.	Governing Law.....	17
SECTION 1.13.	Non-Business Days.....	17

ARTICLE II

SECURITY FORMS

SECTION 2.1.	Forms Generally.....	17
SECTION 2.2.	Form of Face of Security.....	18
SECTION 2.3.	Form of Reverse of Security.....	22
SECTION 2.4.	Additional Provisions Required in Global Security.....	25
SECTION 2.5.	Form of Trustee's Certificate of Authentication.....	26

ARTICLE III

THE SECURITIES

SECTION 3.1.	Title and Terms.....	26
SECTION 3.2.	Denominations.....	29
SECTION 3.3.	Execution, Authentication, Delivery and Dating.....	29
SECTION 3.4.	Temporary Securities.....	31
SECTION 3.5.	Registration, Transfer and Exchange.....	31
SECTION 3.6.	Mutilated, Destroyed, Lost and Stolen Securities.....	34
SECTION 3.7.	Payment of Interest; Interest Rights Preserved.....	35
SECTION 3.8.	Persons Deemed Owners.....	37
SECTION 3.9.	Cancellation.....	37

	Page
SECTION 3.10. Computation of Interest.....	37
SECTION 3.11. Deferrals of Interest Payment Dates.....	37
SECTION 3.12. Right of Set-Off.....	39
SECTION 3.13. Agreed Tax Treatment.....	39
SECTION 3.14. Advancing or Extension of Stated Maturity.....	39
SECTION 3.15. CUSIP Numbers.....	40

#### ARTICLE IV

##### SATISFACTION AND DISCHARGE

SECTION 4.1. Satisfaction and Discharge of Indenture.....	40
SECTION 4.2. Application of Trust Money.....	42

#### ARTICLE V

##### REMEDIES

SECTION 5.1. Events of Default.....	42
SECTION 5.2. Acceleration of Maturity; Rescission and Annulment.....	43
SECTION 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee.....	45
SECTION 5.4. Trustee May File Proofs of Claim.....	46
SECTION 5.5. Trustee May Enforce Claims Without Possession of Securities.....	47
SECTION 5.6. Application of Money Collected.....	47
SECTION 5.7. Limitation on Suits.....	48
SECTION 5.8. Unconditional Right of Holders to Receive Principal, Premium and Interest; Direct Action by Holders of Preference Securities.....	49
SECTION 5.9. Restoration of Rights and Remedies.....	49
SECTION 5.10. Rights and Remedies Cumulative.....	49
SECTION 5.11. Delay or Omission Not Waiver.....	50
SECTION 5.12. Control by Holders.....	50
SECTION 5.13. Waiver of Past Defaults.....	50
SECTION 5.14. Undertaking for Costs.....	51
SECTION 5.15. Waiver of Usury, Stay or Extension Laws.....	51

#### ARTICLE VI

##### THE TRUSTEE

SECTION 6.1. Certain Duties and Responsibilities.....	52
SECTION 6.2. Notice of Defaults.....	53

	Page
SECTION 6.3.	Certain Rights of Trustee..... 54
SECTION 6.4.	Not Responsible for Recitals or Issuance of Securities..... 55
SECTION 6.5.	May Hold Securities..... 55
SECTION 6.6.	Money Held in Trust..... 55
SECTION 6.7.	Compensation and Reimbursement..... 55
SECTION 6.8.	Disqualification; Conflicting Interests..... 56
SECTION 6.9.	Corporate Trustee Required; Eligibility..... 56
SECTION 6.10.	Resignation and Removal; Appointment of Successor..... 57
SECTION 6.11.	Acceptance of Appointment by Successor..... 59
SECTION 6.12.	Merger, Conversion, Consolidation or Succession to Business..... 60
SECTION 6.13.	Preferential Collection of Claims Against Company..... 61
SECTION 6.14.	Appointment of Authenticating Agent..... 61

#### ARTICLE VII

##### HOLDER'S LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.1.	Company to Furnish Trustee Names and Addresses of Holders..... 63
SECTION 7.2.	Preservation of Information, Communications to Holders..... 63
SECTION 7.3.	Reports by Trustee..... 64
SECTION 7.4.	Reports by Company..... 64

#### ARTICLE VIII

##### CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 8.1.	Company May Consolidate, Etc., Only on Certain Terms..... 65
SECTION 8.2.	Successor Corporation Substituted..... 66

#### ARTICLE IX

##### SUPPLEMENTAL INDENTURES

SECTION 9.1.	Supplemental Indentures without Consent of Holders..... 67
SECTION 9.2.	Supplemental Indentures with Consent of Holders..... 68
SECTION 9.3.	Execution of Supplemental Indentures..... 70
SECTION 9.4.	Effect of Supplemental Indentures..... 70



SECTION 9.5.	Conformity with Trust Indenture Act.....	70
SECTION 9.6.	Reference in Securities to Supplemental Indentures.....	70

## ARTICLE X

## COVENANTS

SECTION 10.1.	Payment of Principal, Premium and Interest.....	71
SECTION 10.2.	Maintenance of Office or Agency.....	71
SECTION 10.3.	Money for Security Payments to be Held in Trust.....	72
SECTION 10.4.	Statement as to Compliance.....	73
SECTION 10.5.	Waiver of Certain Covenants.....	74
SECTION 10.6.	Additional Sums.....	74
SECTION 10.7.	Additional Covenants.....	75
SECTION 10.8.	Calculation of Original Issue Discount.....	75

## ARTICLE XI

## REDEMPTION OF SECURITIES

SECTION 11.1.	Applicability of This Article.....	76
SECTION 11.2.	Election to Redeem; Notice to Trustee.....	76
SECTION 11.3.	Selection of Securities to be Redeemed.....	77
SECTION 11.4.	Notice of Redemption.....	77
SECTION 11.5.	Deposit of Redemption Price.....	78
SECTION 11.6.	Payment of Securities Called for Redemption.....	78

## ARTICLE XII

## SINKING FUNDS

SECTION 12.1.	Applicability of Article.....	79
SECTION 12.2.	Satisfaction of Sinking Fund Payments with Securities.....	80
SECTION 12.3.	Redemption of Securities for Sinking Fund.....	80

## ARTICLE XIII

## SUBORDINATION OF SECURITIES

SECTION 13.1.	Securities Subordinate to Senior Debt.....	82
SECTION 13.2.	Payment Over of Proceeds Upon Dissolution, Etc.....	82

	Page
SECTION 13.3. Prior Payment to Senior Debt Upon Acceleration of Securities.....	84
SECTION 13.4. No Payment When Senior Debt in Default.....	85
SECTION 13.5. Obligations of Company Unconditional.....	86
SECTION 13.6. Subrogation to Rights of Holders of Senior Debt.....	87
SECTION 13.7. Provisions Solely to Define Relative Rights.....	88
SECTION 13.8. Trustee to Effectuate Subordination.....	88
SECTION 13.9. No Waiver of Subordination Provisions.....	88
SECTION 13.10. Notice to Trustee.....	89
SECTION 13.11. Reliance on Judicial Order or Certificate of Liquidating Agent.....	90
SECTION 13.12. Trustee Not Fiduciary for Holders of Senior Debt.....	90
SECTION 13.13. Rights of Trustee as Holder of Senior Debt; Preservation of Trustee's Rights.....	90
SECTION 13.14. Article Applicable to Paying Agents.....	91
SECTION 13.15. Certain Conversions or Exchanges Deemed Payment.....	91

HOUSTON LIGHTING & POWER COMPANY

Reconciliation and tie between the Trust Indenture Act of 1939 (including cross-references to provisions of Sections 310 to and including 317 which, pursuant to Section 318(c) of the Trust Indenture Act of 1939, as amended by the Trust Reform Act of 1990, are a part of and govern the Indenture whether or not physically contained therein) and the Junior Subordinated Indenture, dated as of \_\_\_\_\_ 1, 1997.

Trust Indenture

Act Section	Section
-----	-----
(S) 310 (a)(1), (2) and (5).....	6.9
(a)(3).....	Not Applicable
(a)(4).....	Not Applicable
(b).....	6.8, 6.10
(c).....	Not Applicable
(S) 311 (a).....	6.13
(b)(4).....	6.13(a)
(b)(6).....	6.13(b)
(S) 312 (a).....	7.1, 7.2(a)
(b).....	7.2(b)
(c).....	7.2(c)
(S) 313 (a).....	7.3(a), 7.3(b)
(c).....	7.3(a)
(d).....	7.3(c)
(S) 314 (a)(1), (2), (3) and (4).....	7.4
(b).....	Not Applicable
(c)(1) and (2).....	1.2
(c)(3).....	Not Applicable
(d).....	Not Applicable
(e).....	1.2
(S) 315 (a).....	6.1(a)
(b).....	6.2
(c).....	6.1(b)
(d)(1).....	6.1(c)(1)
(d)(2).....	6.1(c)(2)
(d)(3).....	6.1(c)(3)
(e).....	5.14
(S) 316 (a)(1)(A).....	5.12
(a)(1)(B).....	5.13
(a)(2).....	Not Applicable
(b).....	5.8
(c).....	1.4(f)
(S) 317 (a)(1).....	5.3
(a)(2).....	5.4
(b).....	10.3
(S) 318 (a).....	1.7

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Junior Subordinated Indenture.

JUNIOR SUBORDINATED INDENTURE, dated as of [\_\_\_\_\_ 1], 1997, between HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (hereinafter called the "Company") having its principal office at Houston Industries Plaza, 1111 Louisiana, Houston, Texas 77002, and The Bank of New York, a New York banking corporation, as Trustee (hereinafter called the "Trustee").

#### RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured junior subordinated debt securities in series (hereinafter called the "Securities") of substantially the tenor hereinafter provided, including, without limitation, Securities issued to evidence loans made to the Company of the proceeds from the issuance from time to time by one or more business trusts (each an "HL&P Trust," and, collectively, the "HL&P Trusts") of beneficial interests in such Trusts (such interests to be called either "Preferred Securities" or "Capital Securities" and, collectively, the "Preference Securities") and common interests in such Trusts (the "Common Securities" and, collectively with the Preference Securities, the "Trust Securities"), and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH: For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

#### ARTICLE I

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

###### SECTION 1.1. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) All other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles which are generally accepted at the date or time of such computation; provided, that when two or more principles are so generally accepted, it shall mean that set of principles consistent with those in use by the Company; and

(4) The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Holder has the meaning specified in Section 1.4.

"Additional Interest" means the interest, if any, that shall accrue on any interest on the Securities of any series the payment of which has not been made on the applicable Interest Payment Date and which shall accrue at the rate per annum specified or determined as specified in such Security. Additional Interest will accrue under the circumstances contemplated under this Indenture, to the extent permitted by applicable law.

"Additional Sums" has the meaning specified in Section 10.6.

"Additional Taxes" means the sum of any additional taxes, duties and other governmental charges to which an HL&P Trust has become subject from time to time as a result of a Tax Event.

"Administrative Trustee" means, in respect of any HL&P Trust, each Person identified as an "Administrative Trustee" in the related Trust Agreement, solely in such Person's capacity as Administrative Trustee of such HL&P Trust under such Trust Agreement and not in such Person's individual capacity, or any successor administrative trustee appointed as therein provided.

"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 HL&P Trust to which Securities 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 any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Board of Directors" means either the board of directors of the Company or any committee of that board duly authorized to act hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee, or, with respect to the Securities of a series initially issued to an HL&P Trust, the principal corporate trust office of the Property Trustee under the related Trust Agreement, is closed for business.

"Capital Securities" has the meaning specified in the first recital of this Indenture.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" has the meaning specified in the first recital of this Indenture.

"Common Stock" means the common stock of the Company.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Agent" means any officer of Houston Industries, the parent company of the Company, who is authorized and empowered pursuant to one or more Board Resolutions to negotiate, execute and deliver on behalf of the Company instruments, certificates and documents in connection with the Company's financing activities including, without limitation, the President, any Vice President, the Treasurer, the Secretary, and Assistant Secretary or any Assistant Treasurer of Houston Industries.

"Company Request" and "Company Order" mean, respectively, the written request or order signed in the name of the Company by the Chairman of the Board of Directors, any Vice Chairman of the Board of Directors, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary of the Company or a Company Agent, and delivered to the Trustee.

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

"corporation" includes a corporation, association, company, joint-stock company or business trust.

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

"Defaulted Interest" has the meaning specified in Section 3.7.

"Depository" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depository by the Company pursuant to Section 3.1 with respect to such series (or any successor thereto).

"Discount Security" means any security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"Distributions," with respect to the Trust Securities issued by an HL&P Trust, means amounts payable in respect of such Trust Securities as provided in the related Trust Agreement and referred to therein as "Distributions."

"Dollar" means the currency of the United States of America that, as at the time of payment, is legal tender for the payment of public and private debts.

"Event of Default" unless otherwise specified in the supplemental indenture creating a series of Securities has the meaning specified in Article V.

"Exchange Act" means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"Expiration Date" has the meaning specified in Section 1.4(f).

"Extension Period" has the meaning specified in Section 3.11.

"Global Security" means a Security in the form prescribed in Section 2.4 evidencing all or part of a series of Securities, issued to the Depository or its nominee for such series, and registered in the name of such Depository or its nominee.

"Guarantee Agreement," with respect to an HL&P Trust, means the Guarantee Agreement substantially in the form attached hereto as Annex D or Annex E, or substantially in such form as may be specified as contemplated by Section 3.1 with respect to the Securities of any series, in each case as amended from time to time.

"HL&P Guarantee," with respect to an HL&P Trust, means the guarantee by the Company of Distributions on the Preference Securities of such HL&P Trust to the extent provided in the Guarantee Agreement with respect to such HL&P Trust.

"HL&P Trust" has the meaning specified in the first recital of this Indenture.

"Holder" means a Person in whose name a Security is registered in the Securities Register.



"Houston Industries" means Houston Industries Incorporated, a Texas corporation.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of each particular series of Securities established as contemplated by Section 3.1.

"Interest Payment Date" means as to each series of Securities the Stated Maturity of an installment of interest on such Securities.

"Investment Company Act Event" means the receipt by an HL&P Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that such HL&P Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which change becomes effective on or after the Original Issue Date.

"Junior Subordinated Payment" has the meaning specified in Section 13.2.

"Maturity" when used with respect to any Security means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Moody's" means Moody's Investors Service, Inc.

"Notice of Default" means a written notice of the kind specified in Section 5.1(3).

"Officers' Certificate" means a certificate signed by the Chairman and Chief Executive Officer, President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company (and who may be an employee of the Company), and who shall be acceptable to the Trustee.

"Original Issue Date" means the date of issuance specified as such in each Security.

"Outstanding" means, when used in reference to any Securities, as of the date of determination, all Securities

theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(iii) Securities in substitution for or in lieu of which other Securities have been authenticated and delivered or which have been paid pursuant to Section 3.6, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor. Upon the written request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor, and, subject to the provisions of Section 6.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

"Paying Agent" means the Trustee or any Person authorized by the Company to pay the principal (and premium, if any) of or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of (and premium, if any) and interest on the Securities of such series are payable pursuant to Sections 3.1 and 3.11.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 3.6 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Preferred Securities" has the meaning specified in the first recital of this Indenture.

"Preference Securities" means the Preferred Securities and the Capital Securities.

"Proceeding" has the meaning specified in Section 13.2.

"Property Trustee" means, in respect of any HL&P Trust, the commercial bank or trust company identified as the "Property Trustee" in the related Trust Agreement, solely in its capacity as Property Trustee of such HL&P Trust under such Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as therein provided.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date with respect to the Securities of a series means, unless otherwise provided pursuant to Section 3.1 with respect to Securities of a series, (i) in the case of Securities of a series represented by one or more Global Securities, the Business Day next preceding such Interest Payment Date and (ii) in the case of Securities of a series not represented by one or more Global Securities, the date which is fifteen days next preceding such Interest Payment Date (whether or not a Business Day).

"Responsible Officer" means, with respect to the Trustee, any Vice President, any Assistant Vice President, any Assistant Secretary, the Treasurer, any Assistant Treasurer, or any other officer of the Corporate Trust Office of the Trustee and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Rights Plan" means a plan of the Company providing for the issuance by the Company to all holders of its Common Stock of rights entitling the holders thereof to subscribe for or purchase shares of Common Stock or any class or series of preferred stock or preference stock of the Company, which rights (i) are deemed to be transferred with such shares of Common Stock, (ii) are not currently exercisable and (iii) are also issued in respect of future issuances of Common Stock, in each case until the occurrence of a specified event or events.

"S&P" means Standard & Poor's Ratings Services.

"Securities" or "Security" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 3.5.

"Senior Debt" means the principal of (and premium, if any) and interest, if any (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not such claim for post-petition interest is allowed in such proceeding), on Debt of the Company, whether incurred on or prior to the date of this Indenture or thereafter incurred, unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such obligations are not superior in right of payment to the Securities or to other Debt which is pari passu with, or subordinated to, the Securities, provided, however, that Senior Debt shall not be deemed to include (a) any Debt of the Company which, when incurred and without respect to any election under Section 1111(b) of the Bankruptcy Reform Act of 1978, was without recourse to the Company, (b) any Debt of the Company to any of its Subsidiaries, (c) Debt to any employee of the Company, (d) Debt that by its terms is subordinated to trade accounts payable or accrued liabilities arising in the ordinary course of business to the extent that payments made to the holders of such Debt by the holders of the Securities as a result of the subordination provisions of this Indenture would be greater than such payments otherwise would have been (absent giving effect to this clause (d)) as a result of any obligation of such holders of such Debt to pay amounts over to the obligees on such trade accounts payable or accrued liabilities arising in the ordinary course of business as a result of subordination provisions to which such Debt is subject, and (e) any Securities; provided further, however, with respect to Securities of a series initially issued to an HL&P Trust which has a series of outstanding Preferred Securities, Senior Debt shall include all Debt of the Company to any of its Subsidiaries.

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

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified pursuant to the terms of such Security as the date on which the principal of such Security or such installment of interest is due and payable, in the case of such principal, as such date may be advanced or extended as provided pursuant to the terms of such Security and this Indenture.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

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

"Trust Agreement," with respect to an HL&P Trust, means a Trust Agreement substantially in the form attached hereto as Annex A, as amended by the form of Amended and Restated Trust Agreement substantially in the form attached hereto as Annex B or Annex C, or substantially in such form as may be

specified as contemplated by Section 3.1 with respect to the Securities of any series, in each case as amended from time to time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder and, if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939 (15 U.S.C. (S)(S) 77aaa-77bbb), as amended and as in effect on the date as of this Indenture, except as provided in Section 9.5.

"Trust Securities" has the meaning specified in the first recital of this Indenture.

"Vice President" when used with respect to the Company, means any duly appointed vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

#### SECTION 1.2. Compliance Certificate and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants, compliance with which constitutes a condition precedent), if any, 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 (including covenants compliance with which constitute a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.5) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(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 each such individual, he has made or caused to be 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, in the opinion of each such individual, such condition or covenant has been complied with.

### SECTION 1.3. Forms of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer or counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given to or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments is or are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a Person acting in other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give, make or take any request, demand, authorization, direction, notice, consent,



waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities of such series, provided that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of the relevant series on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date, provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any request to institute proceedings referred to in Section 5.7(2) or (iv) any direction referred to in Section 5.12, in each case with respect to Securities of such series. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of such series on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date, provided that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action

taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section, the party hereto which sets such record date may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day, provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities of the relevant series in the manner set forth in Section 10.6, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

(g) Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

#### SECTION 1.5. Notices, Etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, any holder of Preference Securities or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee, any Holder or any holder of Preference Securities shall be sufficient for every purpose (except as otherwise provided in Section 5.1) hereunder if in writing and mailed, first class, postage

prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.7. Conflict with Trust Indenture Act.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act through operation of Section 318(c) thereof, such imposed duties shall control.

SECTION 1.8. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.9. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns, the holders of Senior Debt, the Holders of the Securities and, to the extent provided in Sections 5.2, 5.8, 5.9, 5.11, 5.13, 9.1, 9.2, 10.6, 13.5, 13.6 and 13.7, the holders of Preference Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. Governing Law.

THIS INDENTURE AND THE SECURITIES 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.

SECTION 1.13. Non-Business Days.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day (and no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, until such next succeeding Business Day) 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 Interest Payment Date or Redemption Date or at the Stated Maturity).

ARTICLE II

SECURITY FORMS

SECTION 2.1. Forms Generally.

The Securities of each series and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable tax laws or the rules of any securities exchange or automated quotation system on which the Securities may be



hereof shall have become due and payable, plus Additional Interest, to the extent permitted by applicable law, if any, until the principal hereof is paid or duly provided for or made available for payment and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the rate of \_\_\_\_% per annum, compounding \_\_\_\_\_. The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day 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 the payment was originally payable. A "Business Day" shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee, or, with respect to the Securities of this series initially issued to an HL&P Trust, the principal corporate trust office of the Property Trustee under the Trust Agreement hereinafter referred to for HL&P Capital Trust [ ] is closed for business. 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 Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the [specify Regular Record Dates] next preceding the applicable Interest Payment Date. Any such interest installment not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Securities of this series may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in said Indenture.

[If applicable, insert--So long as no Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of this Security to

defer payment of interest on this Security, at any time or from time to time, for up to \_\_\_\_ consecutive \_\_\_\_ interest payment periods with respect to each deferral period (each an "Extension Period"), during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and at the end of which the Company shall pay all interest then accrued and unpaid (together with Additional Interest thereon to the extent permitted by applicable law); provided, however, that no Extension Period shall extend beyond the Stated Maturity of the principal of this Security; provided, further, that during any such Extension Period, the Company shall not, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that, in either case, ranks pari passu with or junior in interest to this Security or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to this Security (other than (a) dividends or distributions in capital stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any HL&P Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan, or related to the issuance of Common Stock (or securities convertible into or exchangeable for Common Stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period shall exceed \_\_\_\_ consecutive \_\_\_\_ or extend beyond the Stated Maturity of the principal of this Security. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period except at the end thereof. The Company shall give the Holder of this Security and the Trustee notice of its

election to begin any Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on this Security would be payable but for such deferral or, with respect to the Securities issued to an HL&P Trust, so long as such Securities are held by such HL&P Trust, prior to the earlier of (i) the next succeeding date on which Distributions on the Preference Securities would be payable but for such deferral or (ii) the date the Administrative Trustees are required to give notice to any securities exchange or other applicable self-regulatory organization or to holders of such Preference Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the United States, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated in writing by the Person entitled thereto as specified in the Securities Register.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Debt, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, 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 actions as may be necessary or appropriate to 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, 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.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to



any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
[Authorized Officer]

Attest:  
- \_\_\_\_\_  
Secretary

SECTION 2.3. Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued under a Junior Subordinated Indenture, dated as of \_\_\_\_\_, 199\_\_ (herein called the "Indenture"), between the Company and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$\_\_\_\_\_.

All terms used in this Security that are defined in the Indenture or in the Amended and Restated Trust Agreement, dated as of \_\_\_\_\_, \_\_\_\_\_, as amended (the "Trust Agreement"), for HL&P Capital Trust [ ], among Houston Lighting & Power Company, as Depositor, and the Trustees named therein, shall have the meanings assigned to them in the Indenture or the Trust Agreement, as the case may be.

The redemption provisions for each series of Securities shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case in accordance with the provisions of this Indenture.

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

The Indenture contains provisions for satisfaction and discharge of the entire indebtedness of this Security upon compliance by the Company with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of all series to be affected by such supplemental indenture and, under certain circumstances, in the case of Securities of a Series issued to an HL&P Trust, the consent of holders of at least a majority in Aggregate Liquidation Amount of Preference Securities then Outstanding. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities of all series at the time Outstanding, on behalf of the Holders of all Securities of such series, and in the case of Securities of a Series issued to an HL&P Trust, the Holders of Preference Securities issued by such HL&P Trust to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

[If the Security is not a Discount Security,--As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities of this series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of this series may declare the principal amount (and premium, if any) of all the Securities of this series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of the Securities of this series issued to an HL&P Trust, if upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of this series fails to declare the principal (and premium, if any) of all the Securities of this series to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount of the Preference Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration the principal amount (and premium, if any) of and the accrued interest (including any Additional Interest) on all the Securities of this series shall become immediately due and payable, provided that the payment of principal (and premium, if any) and interest (including any

Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII of the Indenture.]

[If the Security is a Discount Security,--As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities of this series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than such portion of the principal amount as may be specified in the terms of this series may declare an amount of principal of (and premium, if any) the Securities of this series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of the Securities of this series issued to an HL&P Trust, if upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of this series fails to declare the principal of all the Securities of this series to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount of the Preference Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee. Upon any such declaration, such amount of the principal of (and premium, if any) and the accrued interest (including any Additional Interest) on all the Securities of this series shall become immediately due and payable, provided that the payment of principal (and premium, if any) and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII of the Indenture. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal (and premium, if any) and overdue interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest, if any, on this Security shall terminate.]

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized

denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of \$\_\_\_ and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities of this series are exchangeable for a like aggregate principal amount of Securities of such series of a different authorized denomination, as requested by the Holder surrendering the same.

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

THE INDENTURE AND THIS SECURITY 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.

#### SECTION 2.4. Additional Provisions Required in Global Security.

Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.2 and 2.3, bear a legend in substantially the following form:

"This Security is a Global Security 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 Security is exchangeable for Securities registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture and may not be transferred except 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."

SECTION 2.5. Form of Trustee's Certificate of Authentication.

This is one of the Securities referred to in the within mentioned Indenture.

Dated:

The Bank of New York,  
as Trustee

By:

-----  
Authorized Signatory

ARTICLE III

THE SECURITIES

SECTION 3.1. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more 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, prior to the issuance of Securities of a series:

(a) the title of the Securities of such series, which shall distinguish the Securities of the series from all other Securities;

(b) the limit, if any, upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 9.6 or 11.6 and except for any Securities which, pursuant to Section 3.3, are deemed never to have been authenticated and delivered hereunder); provided, however, that the authorized aggregate principal amount of such series may be increased above such amount by a Board Resolution to such effect;

(c) the Stated Maturity or Maturities on which the principal of the Securities of such series is payable or the method of determination thereof and the right, pursuant to Section 3.14 or as otherwise set forth therein, of the Company to advance or extend the Stated Maturity of a series of Securities;

(d) the rate or rates, if any, at which the Securities of such series shall bear interest, if any, the rate or rates and extent to which Additional Interest, if any, shall be payable in respect of any Securities of such series, the Interest Payment Dates on which such interest shall be payable, the right, pursuant to Section 3.11 or as otherwise set forth therein, of the Company to defer or extend an Interest Payment Date, and the Regular Record Date for the interest payable on any Interest Payment Date or the method by which any of the foregoing shall be determined;

(e) the place or places where the principal of (and premium, if any) and interest on the Securities of such series shall be payable, the place or places where the Securities 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 Securities of such series may be made;

(f) the period or periods within or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company;

(g) the obligation or the right, if any, of the Company to redeem, repay or purchase the Securities of such series pursuant to any sinking fund, amortization or analogous provisions, 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 other terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(h) the denominations in which any Securities of such series shall be issuable, if other than denominations of \$25 and any integral multiple thereof;

(i) if other than 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 Securities of the series shall be payable, or in which the Securities of the series shall be denominated;

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

(k) 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;

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

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

(n) whether the Securities of the series, or any portion thereof, shall initially be issuable in the form of a temporary Global Security representing all or such portion of the Securities of such series and provisions for the exchange of such temporary Global Security for definitive Securities of such series;

(o) if applicable, that any Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the respective Depositaries for such Global Securities, the form of any legend or legends which shall be borne by any such Global Security in addition to or in lieu of that set forth in Section 2.4 and any circumstances in addition to or in lieu of those set forth in Section 3.5 in which any such Global Security may be exchanged in whole or in part for Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Security or a nominee thereof;

(p) the appointment of any Paying Agent or Agents for the Securities of such series;

(q) the terms of any right to convert or exchange Securities of such series into any other securities or property of the Company, and the additions or changes, if any, to this Indenture with respect to the Securities of such series to permit or facilitate such conversion or exchange;

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

(s) any other terms of the Securities of such series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided herein or in or pursuant to such Board Resolution and set forth in such Officers' Certificate or in any such indenture supplemental hereto.

If any of the terms of the Securities of any 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.

The Securities shall be subordinated in right of payment to Senior Debt as provided in Article XIII.

#### SECTION 3.2. Denominations.

The Securities of each series shall be in registered form without coupons and shall be issuable in denominations as contemplated by Section 3.1.

#### SECTION 3.3. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its President or one of its Vice Presidents under its corporate seal reproduced or impressed thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities. At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and make available for delivery such Securities. If the form or terms of the Securities of the series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such



Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in conclusively relying upon, an Opinion of Counsel stating,

(1) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 2.1, that such form has been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 3.1, that such terms have been established in conformity with the provisions of this Indenture; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Security shall be

conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

#### SECTION 3.4. Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Securities of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for that purpose without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor one or more definitive Securities of the same series, of any authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

#### SECTION 3.5. Registration, Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. Such register is herein sometimes referred to as the "Securities Register." The Trustee is hereby appointed "Securities Registrar" for the purpose of registering Securities and transfers of Securities as herein provided. If any indenture supplemental hereto refers to any

transfer agents (in addition to the Securities Registrar) initially designated by the Company with respect to any series of Securities, the Company may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, provided that the Company maintains a transfer agent in each place of payment for such series. The Company may at any time designate additional transfer agents with respect to any series of Securities.

Upon surrender for registration of transfer of any Security at the office or agency of the Company designated for that purpose the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms.

At the option of the Holder, Securities may be exchanged for other Securities of the same series of any authorized denominations, of a like aggregate principal amount, of the same Original Issue Date and Stated Maturity and having the same terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

The provisions of Clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Each Global Security authenticated under this Indenture shall be registered in the name of the Depository

designated for such Global Security or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(2) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depository for such Global Security or a nominee thereof unless (A) such Depository (i) has notified the Company that it is unwilling or unable to continue as Depository for such Global Security or (ii) has ceased to be a clearing agency registered under the Exchange Act at a time when the Depository is required to be so registered to act as depository, in each case unless the Company has approved a successor Depository within 90 days, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Security, (C) the Company in its sole discretion determines that such Global Security will be so exchangeable or transferable or (D) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing as have been specified for this purpose as contemplated by Section 3.1.

(3) Subject to Clause (2) above, any exchange of a Global Security for other Securities may be made in whole or in part, and all Securities issued in exchange for a Global Security or any portion thereof shall be registered in such names as the Depository for such Global Security shall direct.

(4) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Section, Section 3.4, 3.6, 9.6 or 11.6 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depository for such Global Security or a nominee thereof.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (a) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of mailing of notice of redemption pursuant to Article XI and ending at the close of business on the day of mailing of such notice of redemption or (b) to transfer or exchange any Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, any portion thereof not to be redeemed.

SECTION 3.6. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity, and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same issue and series of like tenor and principal amount, having the same Original Issue Date and Stated Maturity as such destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, 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 fees and expenses of counsel to the Company and fees and expenses of the Trustee, its agents and counsel) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.7. Payment of Interest; Interest Rights Preserved.

Interest on any Security of any series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities of such series, except that, unless otherwise provided in the Securities of such series, interest payable on the Stated Maturity of the principal of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security of any series which is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution pursuant to Section 3.1 with respect to the related series of Securities. Except in the case of a Global Security, at the option of the Company, interest on any series of Securities may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Securities Register of such series or (ii) by wire transfer in immediately available funds at such place and to such account as designated in writing by the Person entitled thereto as specified in the Securities Register of such series.

Any paying agents will be identified in a supplemental indenture hereto. The Company may at any time designate additional paying agents or rescind the designation of any paying agent; however, the Company at all times will be required to maintain a paying agent in each place of payment for each series of Securities.

Except as described in Section 3.11, any interest on any Security which is payable, but is not timely paid or duly provided for, on any Interest Payment Date for Securities of such 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 may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series in respect of which interest is in default (or their respective Predecessor Securities) 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 Security 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 be not more than 15 days and not 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 Holder of a Security of such series at the address of such Holder as it appears in the Securities Register not less than 10 days prior to such Special Record Date. Unless all of the Securities of a series are held by an HL&P Trust, The Trustee shall, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of 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 the Securities of such series (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

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

Any interest on any Security which is deferred or extended pursuant to Section 3.11 shall not be Defaulted Interest for the purposes of this Section 3.7.

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

SECTION 3.8. Persons Deemed Owners.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered on the applicable record date as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 3.7) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.9. Cancellation.

All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Securities surrendered directly to the Trustee for any such purpose shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities shall be returned by the Trustee to the Company.

SECTION 3.10. Computation of Interest.

Except as otherwise specified as contemplated by Section 3.1 for Securities of any series, interest on the Securities of each series for any period shall be computed on the basis of a 360-day year of twelve 30-day months and interest on the Securities of each series for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in any partial month.

SECTION 3.11. Deferrals of Interest Payment Dates.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, so long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of such series, from time to time to defer the payment of interest on such Securities for such period or periods as may be specified as contemplated by Section 3.1 (each, an "Extension Period") during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date. No Extension Period shall end on a date other than an Interest Payment Date. At



the end of any such Extension Period the Company shall pay all interest then accrued and unpaid on the Securities (together with Additional Interest thereon, if any, at the rate specified for the Securities of such series to the extent permitted by applicable law) to the Persons in whose names that Securities are registered at the close of business on the Regular Record Date with respect to the Interest Payment Date at the end of such Extension Period; provided, however, that no Extension Period shall extend beyond the Stated Maturity of the principal of the Securities of such series; provided further, that during any such Extension Period, the Company shall not, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt security of the Company that, in either case, ranks pari passu with or junior in interest to the Securities of such series or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the securities of such series (other than (a) dividends or distributions in the capital stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any HL&P Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan, or related to the issuance of Common Stock (or securities convertible into or exchangeable for Common Stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period shall exceed the period or periods specified in such Securities or extend beyond the Stated Maturity of the principal of such Securities. Upon termination of any Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Holders

of the Securities of such series and the Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on Securities of such series would be payable but for such deferral or, with respect to the Securities of a series issued to an HL&P Trust, so long as such Securities are held by such HL&P Trust, prior to the earlier of (i) the next succeeding date on which Distributions on the Preference Securities of such HL&P Trust would be payable but for such deferral or (ii) the date the Administrative Trustees of such HL&P Trust are required to give notice to any securities exchange or other applicable self-regulatory organization or to holders of such Preference Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the Holders of the Outstanding Securities of such series.

#### SECTION 3.12. Right of Set-Off.

With respect to the Securities of a series issued to an HL&P Trust, notwithstanding anything to the contrary in the Indenture, the Company shall have the right to set-off any payment it is otherwise required to make thereunder in respect of any such Security to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment under the HL&P Guarantee relating to such Security or under Section 5.8.

#### SECTION 3.13. Agreed Tax Treatment.

Each Security issued hereunder shall provide that the Company and, by its acceptance of a Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Security agree that for United States Federal, state and local tax purposes it is intended that such Security constitute indebtedness.

#### SECTION 3.14. Advancing or Extending of Stated Maturity.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, the Company shall have the right to (i) advance the Stated Maturity of the principal of the Securities of such series at any time to any date not earlier than the first date on which the Company has the right to redeem the Securities of such series, and (ii) extend the Stated Maturity of the principal of the Securities of such series at any time at its election for one or more periods, but in no event to a date

later than the 49th anniversary of the first Interest Payment Date following the Original Issue Date of the Securities of such series; provided that, if the Company elects to exercise its right to extend the Stated Maturity of the principal of the Securities of such series pursuant to clause (ii), above, at the time such election is made and at the time of extension (A) the Company is not in bankruptcy, otherwise insolvent or in liquidation, (B) the Company is not in default in the payment of any interest or principal on such Securities, (C) in the case of any series of Securities issued to an HL&P Trust, such HL&P Trust is not in arrears on payments of Distributions on the Preference Securities issued by such HL&P Trust and no deferred Distributions are accumulated and (D) if any of such Securities are held by any Person other than an HL&P Trust such Securities are rated not less than BBB- by S&P or Baa3 by Moody's or the equivalent by any other nationally recognized statistical rating organization. In the event the Company elects to advance or extend the Stated Maturity of the Securities, it shall give notice to the Trustee, and the Trustee shall give notice of such advancing or extension to the Holders, no less than 30 and no more than 60 days prior to the effectiveness thereof.

#### SECTION 3.15. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any change in CUSIP numbers.

### ARTICLE IV

#### SATISFACTION AND DISCHARGE

##### SECTION 4.1. Satisfaction and Discharge of Indenture.

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and as otherwise provided in this Section 4.1) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

- (1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of Clause (B) (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the currency or currencies in which the Securities of such series are payable sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest (including any Additional Interest) to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.7, the obligations of the Trustee to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Company

under Section 4.2 and the last paragraph of Section 10.3 shall survive.

SECTION 4.2. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest (including any Additional Interest) for the payment of which such money or obligations have been deposited with or received by the Trustee.

ARTICLE V

REMEDIES

SECTION 5.1. Events of Default.

"Event of Default", wherever used herein with respect to the Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series, including any Additional Interest in respect thereof, when it becomes due and payable, and continuance of such default for a period of 30 days (subject to the deferral of any interest payment date in the case of an Extension Period); or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the performance, or breach, in any material respect, of any covenant or warranty of the Company in this Indenture with respect to that series (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series

a written notice specifying such default or breach and requiring it to be remedied; or

(4) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit for creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by the Company in furtherance of any such action; or

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

#### SECTION 5.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 5.1(4) or 5.1(5)) with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of the Securities of a series issued to an HL&P Trust, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the

Outstanding Securities of that series fail to declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be immediately due and payable, the holders of at least 25% in aggregate liquidation amount of the corresponding series of Preference Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration such principal amount (or specified portion thereof) of and the accrued interest (including any Additional Interest to the extent permitted under applicable law) on all, the Securities of such series shall become immediately due and payable. Payment of principal and interest (including any Additional Interest to the extent permitted under applicable law) on such Securities shall remain subordinated to the extent provided in Article XIII notwithstanding that such amount shall become immediately due and payable as herein provided.

If an Event of Default specified in Section 5.1(4) or 5.1(5) with respect to Securities of any series at the time Outstanding occurs, the principal amount of all the Securities of that series (or, if the Securities of that series are Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms of that series) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest (including any Additional Interest) on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

In the case of Securities of a series issued to an HL&P Trust, the holders of a majority in aggregate Liquidation Amount (as defined in the Trust Agreement under which such HL&P Trust is formed) of the related series of Preference Securities issued by such HL&P Trust shall also have the right to rescind and annul such declaration and its consequences by written notice to the Company and the Trustee, subject to the satisfaction of the conditions set forth in Clauses (1) and (2) above of this Section 5.2.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if:

(1) default is made in the payment of any installment of interest (including any Additional Interest) on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (and premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to the Trustee, for the benefit of the holders of such Securities, the whole amount then due and payable on such Securities for principal, including any sinking fund payment or analogous obligations (and premium, if any) and interest (including any Additional Interest); and, in addition thereto, all amounts owing the Trustee, its agents and counsel under Section 6.7.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.



If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors,

(a) the Trustee (irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed or by declaration of acceleration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (and premium, if any) or interest (including any Additional Interest)) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be due and payable pursuant to a declaration in accordance with Section 5.2) (and premium, if any) and interest (including any Additional Interest) owing and unpaid in respect to the Securities and to file such other papers or documents as may be necessary or advisable and to take any and all actions as are authorized under the Trust Indenture Act in order to have the claims of the Holders and any predecessor to the Trustee under Section 6.7 allowed in any such judicial proceedings; and

(ii) in particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same in accordance with Section 5.6; and

(b) 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 Trustee for distribution in accordance with Section 5.6, and in the event that the Trustee shall consent to the making of such payments directly to the

Holder, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

**SECTION 5.5. Trustee May Enforce Claims Without Possession of Securities.**

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such 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 the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.7, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

**SECTION 5.6. Application of Money Collected.**

Any money or property collected or to be applied by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money or property on account of principal (or premium, if any) or interest (including any Additional Interest), upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

**FIRST:** To the payment of all amounts due the Trustee, its agents and counsel and any predecessor Trustee, its agents and counsel under Section 6.7;

**SECOND:** Subject to Article XIII, to the payment of the amounts then due and unpaid upon such series of Securities for principal (and premium, if any), interest (including any Additional Interest) and Additional Taxes, 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 series of Securities

for principal (and premium, if any) and interest (including any Additional Interest), respectively; and

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

SECTION 5.7. Limitation on Suits.

No Holder of any Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of security or indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 5.8. Unconditional Right of Holders to Receive Principal, Premium and Interest; Direct Action by Holders of Preference Securities.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 3.11) interest (including any Additional Interest) on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. In the case of Securities of a series issued to an HL&P Trust, any holder of the corresponding series of Preference Securities issued by such HL&P Trust shall have the right, upon the occurrence of an Event of Default described in Section 5.1(1) or 5.1(2), to institute a suit directly against the Company for enforcement of payment to such holder of principal of (premium, if any) and (subject to Section 3.11) interest (including any Additional Interest) on the Securities having a principal amount equal to the aggregate Liquidation Amount (as defined in the Trust Agreement under which such HL&P Trust is formed) of such Preference Securities of the corresponding series held by such holder and such right shall not be impaired without the consent of such Holder.

SECTION 5.9. Restoration of Rights and Remedies.

If the Trustee, any Holder or any holder of Preference Securities has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, such Holder or such holder of Preference Securities, then and in every such case the Company, the Trustee, the Holders and such holder of Preference Securities shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, the Holders and the holders of Preference Securities shall continue as though no such proceeding had been instituted.

SECTION 5.10. Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or

otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee, any Holder of any Security or any holder of any Preference Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

Every right and remedy given by this Article or by law to the Trustee or to the Holders and the right and remedy given to the holders of Preference Securities by Section 5.8 may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Holders or the holders of Preference Securities, as the case may be.

SECTION 5.12. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series 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 the Securities of such series, provided that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow such direction if a Responsible Officer or Officers of the Trustee shall, in good faith, determine that the proceeding so directed would involve the Trustee in personal liability or would otherwise be contrary to applicable law.

SECTION 5.13. Waiver of Past Defaults.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series and, in the case of any Securities of a series issued to an HL&P Trust, the holders of Preference Securities issued by such HL&P Trust may waive any past default hereunder and its consequences with respect to such series except a default:

(1) in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Any such waiver shall be deemed to be on behalf of the Holders of all the Securities of such series or, in the case of a waiver by holders of Preference Securities issued by such HL&P Trust, by all holders of Preference Securities issued by such HL&P Trust.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

#### SECTION 5.14. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his 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 Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security on or after the respective Stated Maturities expressed in such Security.

#### SECTION 5.15. Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and

the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

## ARTICLE VI

### THE TRUSTEE

#### SECTION 6.1. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon 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 provisions 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 on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise 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 own affairs.

(c) 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) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible

Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(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 Holders pursuant to Section 5.12 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 Securities of such series.

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

(e) 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 Section.

#### SECTION 6.2. Notice of Defaults.

Within 90 days after actual knowledge by a Responsible Officer of the Trustee of the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Securities Register, notice of such default, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series, the Trustee shall be fully protected in withholding such notice if and so long as a committee of Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of Securities of such series; and provided, further, that, in the case of any default of the character specified in Section 5.1(3), no such notice to Holders of Securities of such series shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.



SECTION 6.3. Certain Rights of Trustee.

Subject to the provisions of Section 6.1:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, 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 or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(d) 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, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(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, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, upon reasonable notice to the Company, during business hours, personally or by agent or attorney;

(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.

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(i) the Trustee shall not be deemed to have notice of any Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture.

#### SECTION 6.4. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

#### SECTION 6.5. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.8 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Securities Registrar or such other agent.

#### SECTION 6.6. Money Held in Trust.

Money held by the Trustee in trust hereunder 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 money received by it hereunder except as otherwise agreed in writing with the Company.

#### SECTION 6.7. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder in such amounts as the Company and the Trustee shall agree from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred

or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee, its officers, directors, shareholders, employees and agents for, and to hold it harmless against, any and all loss, damage, claim, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred without negligence or bad faith, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. This indemnification shall survive the termination of this Indenture.

This Section 6.7 shall survive the termination of this Indenture or the earlier resignation or removal of the Trustee.

To secure the Company's payment obligations in this Section, the Company and the Holders agree that the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee. Such lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(4) or (5) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

#### SECTION 6.8. Disqualification; Conflicting Interests.

The Trustee for the Securities of any series issued hereunder shall be subject to 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 6.9. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America or of any State

or Territory or the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(b) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees, in either case having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by Federal or State 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. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder.

#### SECTION 6.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal or resignation, the Trustee being removed or resigning may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.8 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.9 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a 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, (i) the Company, acting pursuant to the authority of a Board Resolution, may remove the Trustee with respect to all Securities, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, subject to Section 5.14, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of such series as their names and addresses appear in the Securities Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 6.11. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, 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 Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall 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 Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall 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 Securities 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) shall 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 and 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 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 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 Securities 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 all property and money held by such retiring Trustee hereunder with respect to the Securities 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 rights, powers and trusts referred to in paragraph (a) or (b) of this Section, 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.

#### SECTION 6.12. Merger, Conversion, Consolidation or Succession to Business.

Any corporation 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. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated, and in case any Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which

it is provided anywhere in the Securities or in this Indenture that the certificate of the Trustee shall have.

SECTION 6.13. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor). For purposes of Section 311(b)(4) and (6) of the Trust Indenture Act:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company (or any such obligor) for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security; provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company (or any such obligor) arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 6.14. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Securities 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. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, or of any State or Territory or



the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Authenticating Agent 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 an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of an Authenticating Agent shall be the successor Authenticating Agent hereunder, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 1.6 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provision of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities referred to in the within mentioned Indenture.

Dated:

The Bank of New York,  
As Trustee

By:  
As Authenticating Agent

By:  
Authorized Officer

#### ARTICLE VII

##### HOLDER'S LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 7.1. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee:

(a) semi-annually, not more than 15 days after [\_\_\_\_\_ 15] in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such [\_\_\_\_\_ 15,] 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,

excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

SECTION 7.2. Preservation of Information, Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the

Trustee as provided in Section 7.1 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided in the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of information as to the names and addresses of the Holders made pursuant to the Trust Indenture Act.

#### SECTION 7.3. Reports by Trustee.

(a) The Trustee shall transmit to Holders 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.

(b) Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than March 31 in each calendar year, commencing with the first March 31 after the first issuance of Securities under this Indenture.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed and also with the Commission. The Company will promptly notify the Trustee when any Securities are listed on any stock exchange.

#### SECTION 7.4. Reports by Company.

The Company shall file with the Trustee and with the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is required to be filed with the Commission. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall continue to file with the Commission and provide

the Trustee with the annual reports and the information, documents and other reports which are specified in Sections 13 and 15(d) of the Exchange Act. The Company also shall comply with the other provisions of Trust Indenture Act Section 314(a).

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 or determinable from 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).

#### ARTICLE VIII

##### CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

###### SECTION 8.1. Company May Consolidate, Etc., Only 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 Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust organized and existing under the laws of the United States of America or any State 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, the due and punctual payment of the principal of (and premium, if any) and interest (including any Additional Interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) 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 happened and be continuing;

(3) in the case of the Securities of a series issued to an HL&P Trust, such consolidation, merger, conveyance, transfer or lease is permitted under the related Trust Agreement and HL&P Guarantee and does not give rise to any breach or violation of the related Trust Agreement or HL&P Guarantee; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating

that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 6.1, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 8.1.

SECTION 8.2. Successor Corporation Substituted.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.1, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, 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 Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, conveyance or lease, such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.1. Supplemental Indentures without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or to surrender any right or power herein conferred upon the Company; or

(3) to establish the form or terms of Securities of any series as permitted by Section 2.1 or 3.1; or

(4) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(5) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or

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

(7) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (7) shall not adversely affect the interest of the

Holders of Securities of any series in any material respect or, in the case of the Securities of a series issued to an HL&P Trust and for so long as any of the corresponding series of Preference Securities issued by such HL&P Trust shall remain outstanding, the holders of such Preference Securities; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to 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, pursuant to the requirements of Section 6.11 (b); or

(9) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

#### SECTION 9.2. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) except to the extent permitted by Section 3.11 or as otherwise specified as contemplated by Section 2.1 or Section 3.1 with respect to the deferral of the payment of interest on the Securities of any series and except to the extent permitted by Section 3.14 or as otherwise specified as contemplated by Section 2.1 or Section 3.1 with respect to the advancing or extension of Stated Maturity of the Securities of any Series, change the Stated Maturity of the principal of, or any installment of interest (including any Additional Interest) on, any Security, or reduce the principal amount thereof or the rate of interest thereon or reduce any premium payable upon the redemption thereof, or reduce the amount of principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for

the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.5, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby; or

(4) modify the provisions in Article XIII of this Indenture with respect to the subordination of Outstanding Securities of any series in a manner adverse to the Holders thereof;

provided, further, that, in the case of the Securities of a series issued to an HL&P Trust, so long as any of the corresponding series of Preference Securities issued by such HL&P Trust remains outstanding, (i) no such amendment shall be made that adversely affects the holders of such Preference Securities in any material respect, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate Liquidation Amount (as defined in the Trust Agreement under which such HL&P Trust is organized) of such Preference Securities then outstanding unless and until the principal (and premium, if any) of the Securities of such series and all accrued and, subject to Section 3.7, unpaid interest (including any Additional Interest) thereon have been paid in full and (ii) no such amendment shall be made where a consent under this Indenture would require the consent of each holder of Securities, unless each holder of Preference Securities, which corresponds to such series of Securities, also consents to such amendment, unless and until the principal (and premium, if any) of the Securities of such series and all accrued and (subject to Section 3.7) unpaid interest (including any Additional Interest) thereon have been paid in full.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture that has expressly been included solely for the benefit of one or more particular series of Securities or Preference Securities, or which modifies the rights of the Holders of Securities or



holders of Preference Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities or holders of Preference Securities of any other series.

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

#### SECTION 9.3. Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in conclusively relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, and that all conditions precedent have been complied with. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

#### SECTION 9.4. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

#### SECTION 9.5. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

#### SECTION 9.6. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Company, bear a notation in form approved by the Company as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Company, to any such supplemental indenture may be prepared and executed by the

Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

## ARTICLE X

### COVENANTS

#### SECTION 10.1. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of securities that it will duly and punctually pay the principal of (and premium, if any) and interest (including Additional Interest) on the Securities of that series in accordance with the terms of such Securities and this Indenture.

#### SECTION 10.2. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for any series of Securities, an office or agency where Securities of that series may be presented or surrendered for payment and an office or agency where Securities of that series may be surrendered for transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, 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, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

SECTION 10.3. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest (and any Additional Interest) on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest (and any Additional Interest) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to 11:00 a.m. New York City time on each due date of the principal of or interest (and any Additional Interest) on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest (and any Additional Interest) so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal and premium (if any) or interest (and any Additional Interest), and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and premium, if any) or interest (including Additional Interest);

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(4) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent.

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 by Company Order 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 trusts 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.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee, its officers, directors, shareholders employees and agents or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

#### SECTION 10.4. Statement as to Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each calendar year of the Company ending after the date hereof, an Officers' Certificate covering the preceding calendar year, stating whether or not to the best knowledge of the signers thereof the Company, are of the signers of which shall be the principal executive, principal accounting or principal financial officer of the Company, is in default in the performance, observance or fulfillment of or compliance with any of the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. For the purpose of this Section 10.4, compliance shall be determined without regard to

any grace period or requirement of notice provided pursuant to the terms of this Indenture.

#### SECTION 10.5. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition provided pursuant to Section 3.1, 9.1(3) or 9.1(4) with respect to the Securities of any series, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

#### SECTION 10.6. Additional Sums.

In the case of the Securities of a series issued to an HL&P Trust, so long as no Event of Default has occurred and is continuing and except as otherwise specified as contemplated by Section 2.1 or Section 3.1, in the event that (i) an HL&P Trust is the Holder of all of the Outstanding Securities of such series, (ii) a Tax Event or an Investment Company Act Event in respect of such HL&P Trust shall have occurred and be continuing and (iii) the Company shall not have (A) redeemed the Securities of such series pursuant to Section 11 and the applicable supplemental indenture or (B) terminated such HL&P Trust pursuant to Section 9.2(b) of the related Trust Agreement, the Company shall pay to such HL&P Trust (and its permitted successors or assigns under the related Trust Agreement) for so long as such HL&P Trust (or its permitted successor or assignee) is the registered holder of any Securities of such series, such additional amounts as may be necessary in order that the amount of Distributions (including any Additional Amounts (as defined in such Trust Agreement)) then due and payable by such HL&P Trust on the related Preference Securities and Common Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of any Additional Taxes (the "Additional Sums"). Whenever in this Indenture or the Securities there is a reference in any context to the payment of principal of or interest on the Securities, such mention shall be deemed to include mention of the payments of the Additional Sums provided for in this paragraph to the extent that, in such context, Additional Sums are, were or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Sums (if applicable) in any provisions hereof shall not be construed as excluding Additional Sums in those

provisions hereof where such express mention is not made; provided, however, that the deferral of the payment of interest pursuant to Section 3.11 on the Securities shall not defer the payment of any Additional Sums that may be due and payable.

#### SECTION 10.7. Additional Covenants.

The Company covenants and agrees with each Holder of Securities of each series that it shall not, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal or interest or premium, if any, on or repay, repurchase or redeem any debt security (including other series of the Securities) of the Company that, in either case, ranks pari passu with or junior in interest to the Securities of such series or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the Securities (other than (a) dividends or distributions in capital stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any rights distributed pursuant to a Rights Plan, (c) payments under any HL&P Guarantee, and (d) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of Common Stock (or securities convertible into or exchangeable for Common Stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period) if at such time (i) an Event of Default with respect to the Securities of such series shall have occurred and be continuing, (ii) if the Securities of such series are held by an HL&P Trust, the Company shall be in default with respect to its payment of any obligations under the HL&P Guarantee relating to the Preference Securities issued by such HL&P Trust or (iii) the Company shall have given notice of its election to begin an Extension Period with respect to the Securities of such series as provided herein and shall not

have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

The Company also covenants with each Holder of Securities of a series issued to an HL&P Trust (i) to maintain directly or indirectly 100% ownership of the Common Securities of such HL&P Trust; provided, however, that any permitted successor of the Company hereunder may succeed to the Company's ownership of such Common Securities, (ii) not to voluntarily terminate, wind-up or liquidate such HL&P Trust, except (a) in connection with a distribution of the Securities of such series to the holders of the Trust Securities in liquidation of such HL&P Trust or (b) in connection with certain mergers, consolidations or amalgamations permitted by the related Trust Agreement and (iii) to use its reasonable efforts, consistent with the terms and provisions of such Trust Agreement, to cause such HL&P Trust to remain classified as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

#### Section 10.8. Calculation of Original Issue Discount.

The Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

### ARTICLE XI

#### REDEMPTION OF SECURITIES

##### SECTION 11.1. Applicability of This Article.

Redemption of Securities of any series (whether by operation of a sinking fund or otherwise) as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided, however, that if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern. Each Security of such series shall be subject to partial redemption only as set forth in the form of Security for such series.

##### SECTION 11.2. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of any Securities of a series, the Company shall, not less than 30 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such date and of the principal amount of Securities of that series to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities, the Company shall furnish the Trustee with an

Officers' Certificate and an Opinion of Counsel evidencing compliance with such restriction.

#### SECTION 11.3. Selection of Securities to be Redeemed.

If less than all the Securities of any series are to be redeemed (unless all the Securities of such series and of a specified tenor are to be redeemed or unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, provided that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. If less than all the Securities of such series and of a specified tenor are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed. If the Company shall so direct, Securities registered in the name of the Company, any Affiliate or any Subsidiary thereof shall not be included in the Securities selected for redemption.

#### SECTION 11.4. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than the thirtieth day, and not earlier than the sixtieth day, prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder as it appears in the Securities Register.

With respect to Securities of each series to be redeemed, each notice of redemption shall identify the Securities to be redeemed (including CUSIP numbers) and shall state:



(a) the Redemption Date;

(b) the Redemption Price;

(c) if less than all Outstanding Securities of such particular series and having the same terms are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;

(d) that on the Redemption Date, the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price; and

(f) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall be irrevocable. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

#### SECTION 11.5. Deposit of Redemption Price.

Prior to 11:00 a.m. New York City time on the Redemption Date specified in the notice of redemption given as provided in Section 11.4, the Company will deposit with the Trustee or with one or more Paying Agents (or if the Company is acting as its own Paying Agent, the Company will segregate and hold in trust as provided in Section 10.3) an amount of money sufficient to pay the Redemption Price of, and any accrued interest (including Additional Interest) on, all the Securities which are to be redeemed on that date.

#### SECTION 11.6. Payment of Securities Called for Redemption.

If any notice of redemption has been given as provided in Section 11.4, the Securities or portion of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable Redemption

Price. On presentation and surrender of such Securities at a Place of Payment in said notice specified, the said securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date; provided, however, that, unless otherwise specified as contemplated by Section 3.1, installments of interest whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates According to their terms and the provisions of Section 3.7.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms. If a Global Security is so surrendered, such new Security will also be a new Global Security.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal of and premium, if any, on such Security shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

## ARTICLE XII

### SINKING FUNDS

#### SECTION 12.1. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of any series except as otherwise specified as contemplated by Section 3.1 for such Securities.

The minimum amount of any sinking fund payment provided for by the terms of any Securities of any series is herein referred to as a "mandatory sinking fund payment", and any sinking fund payment in excess of such minimum amount which is permitted to be made by the terms of such Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of any Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 12.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of such Securities.

SECTION 12.2. Satisfaction of Sinking Fund Payments with Securities.

In lieu of making all or any part of a mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option, at any time no more than 16 months and no less than 30 days prior to the date on which such sinking fund payment is due, deliver to the Trustee Securities of such series (together with the unmatured coupons, if any, appertaining thereto) theretofore purchased or otherwise acquired by the Company, except Securities of such series that have been redeemed through the application of mandatory or optional sinking fund payments pursuant to the terms of the Securities of such series, accompanied by a Company Order instructing the Trustee to credit such obligations and stating that the Securities of such series were originally issued by the Company by way of bona fide sale or other negotiation for value; provided that the Securities to be so credited have not been previously so credited. The Securities to be so credited shall be received and credited for such purpose by the Trustee at the redemption price for such Securities, as specified in the Securities so to be redeemed, for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 12.3. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for such Securities pursuant to the terms of such Securities, the portion thereof, if any, which is to be satisfied by payment of cash in the currency in which the Securities of such series are payable (except as provided pursuant to Section 3.1) and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities pursuant to Section 12.2 and will also deliver to the Trustee any Securities to be so delivered. Such Officers' Certificate shall be irrevocable and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the succeeding sinking fund payment date. In the case of the failure of the Company to deliver such Officers' Certificate (or, as required by this Indenture, the Securities and coupons, if any, specified in such Officers' Certificate), the sinking fund payment due on the succeeding sinking fund payment date for such series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of the Securities of such series subject to a mandatory sinking fund payment without the right to deliver or credit securities as provided in Section 12.2 and without the right to make the

optional sinking fund payment with respect to such series at such time.

Any sinking fund payment or payments (mandatory or optional) made in cash plus any unused balance of any preceding sinking fund payments made with respect to the Securities of any particular series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent) on the sinking fund payment date on which such payment is made (or, if such payment is made before a sinking fund payment date, on the sinking fund payment date immediately following the date of such payment) to the redemption of Securities of such series at the Redemption Price specified in such Securities with respect to the sinking fund. Any sinking fund moneys not so applied or allocated by the Trustee (or, if the Company is acting as its own Paying Agent, segregated and held in trust by the Company as provided in Section 10.3) for such series and together with such payment (or such amount so segregated) shall be applied in accordance with the provisions of this Section 12.3. Any and all sinking fund moneys with respect to the Securities of any particular series held by the Trustee (or if the Company is acting as its own Paying Agent, segregated and held in trust as provided in Section 10.3) on the last sinking fund payment date with respect to Securities of such series and not held for the payment or redemption of particular Securities of such series shall be applied by the Trustee (or by the Company if the Company is acting as its own Paying Agent), together with other moneys, if necessary, to be deposited (or segregated) sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity. The Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 11.3 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 11.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Section 11.6. On or before each sinking fund payment date, the Company shall pay to the Trustee (or, if the Company is acting as its own Paying Agent, the Company shall segregate and hold in trust as provided in Section 10.3) in cash a sum in the currency in which Securities of such series are payable (except as provided pursuant to Section 3.1) equal to the principal and any interest accrued to the Redemption Date for Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this Section 12.3.

Neither the Trustee nor the Company shall redeem any Securities of a series with sinking fund moneys or mail any notice of redemption of Securities of such series by operation of the sinking fund for such series during the continuance of a default in payment of interest, if any, on any Securities of

such series or of any Event of Default (other than an Event of Default occurring as a consequence of this paragraph) with respect to the Securities of such series except that if the notice of redemption shall have been provided in accordance with the provisions hereof, the Trustee (or the Company, if the Company is then acting as its own Paying Agent) shall redeem such Securities if cash sufficient for that purpose shall be deposited with the Trustee (or segregated by the Company) for that purpose in accordance with the terms of this Article XII. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur and any moneys thereafter paid into such sinking fund shall, during the continuance of such default or Event of Default, be held as security for the payment of the Securities and coupons, if any, of such series; provided, however, that in case such default or Event of Default shall have been cured or waived herein, such moneys shall thereafter be applied on the next sinking fund payment date for the Securities of such series on which such moneys may be applied pursuant to the provisions of this Section 12.3.

### ARTICLE XIII

#### SUBORDINATION OF SECURITIES

##### SECTION 13.1. Securities Subordinate to Senior Debt.

The Company covenants and agrees, and each Holder of a Security, by its acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the payment of the principal of (and premium, if any) and interest (including any Additional Interest) on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Debt.

##### SECTION 13.2. Payment Over of Proceeds Upon Dissolution, Etc.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company (each such event, if any, herein sometimes referred to as a "Proceeding"), then the holders of Senior Debt shall be entitled to receive payment in full of all amounts due or to become due on such Senior Debt, or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before the Holders of the Securities are entitled to receive or retain any payment or distribution

of any kind or character, whether in cash, property or Securities (including any payment or distribution which may be payable or deliverable by reason of the payment of any other Debt of the Company (including any series of the Securities) subordinated to the payment of the Securities, such payment or distribution being hereinafter referred to as a "Junior Subordinated Payment"), on account of principal of (or premium, if any) or interest (including any Additional Interest) on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary and to that end the holders of Senior Debt shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any Junior Subordinated Payment, which may be payable or deliverable in respect of the Securities in any such Proceeding; provided, however, that nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with this Indenture or as otherwise specified as contemplated by Section 3.1 for the Securities of any series by delivering and crediting pursuant to Section 12.2 or as otherwise specified as contemplated by Section 3.1 for the Securities of any series of Securities which have been acquired (upon redemption or otherwise) prior to such Proceeding.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any Junior Subordinated Payment or any sinking fund payment (except as described in the immediately preceding paragraph), before all amounts due or to become due on all Senior Debt are paid in full or payment thereof is provided for in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, then and in such event such payment or distribution shall be received in trust and paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all amounts due or to become due on all Senior Debt remaining unpaid, to the extent necessary to pay all amounts due or to become due on all Senior Debt in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

For purposes of this Article only, the words "any payment or distribution of any kind or character, whether in 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 reorganization or readjustment which securities are subordinated in right of payment to all then

outstanding Senior Debt to substantially the same extent as the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the sale of all or substantially all of its properties and assets as an entirety to another Person upon the terms and conditions set forth in Article VIII shall not be deemed a Proceeding for the purposes of this Section if the Person formed by such consolidation or into which the Company is merged or the Person which acquires by sale such properties and assets as an entirety, as the case may be, shall, as a part of such consolidation, merger, or sale comply with the conditions set forth in Article VIII.

**SECTION 13.3. Prior Payment to Senior Debt Upon Acceleration of Securities.**

In the event that any Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Senior Debt outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts due on or in respect of such Senior Debt (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities (including any Junior Subordinated Payment or, except as provided below, any sinking fund payment) by the Company on account of the principal of (or premium, if any) or interest (including any Additional Interest) on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary; provided, however, that nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with this Indenture or as otherwise specified as contemplated by Section 3.1 for the Securities of any series by delivering and crediting pursuant to Section 12.2 or as otherwise specified as contemplated by Section 3.1 for the Securities of any series Securities which have been acquired (upon redemption or otherwise) prior to such declaration of acceleration.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions

of this Section, and if such fact shall, at or prior to the time of such payment, have been made actually known to a Responsible Officer of the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the holders of Senior Debt or their representatives or agents.

The provisions of this Section shall not apply to any payment with respect to which Section 13.2 would be applicable.

SECTION 13.4. No Payment When Senior Debt in Default.

(a) In the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Debt, or in the event that any event of default with respect to any Senior Debt shall have occurred and be continuing and shall have resulted in such Senior Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled, or in the event any judicial proceeding shall be pending with respect to any such default in payment or such event of default, then no payment or distribution of any kind or character, whether in cash, properties or securities (including any Junior Subordinated Payment or any sinking fund payment, except as provided below) shall be made by the Company on account of principal of (or premium, if any) or interest (including any Additional Interest), if any, on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary, in each case unless and until all amounts due or to become due on such Senior Debt are paid in full.



Nothing in this Section shall prevent the satisfaction of any sinking fund payment in accordance with this Indenture or as otherwise specified as contemplated by Section 3.1 for the Securities of any series by delivering and crediting pursuant to Section 12.2 or as otherwise specified as contemplated by Section 3.1 for the Securities of any series Securities which have been acquired (upon redemption or otherwise) prior to such default in payment or event of default.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, and if such fact shall, have been made actually known to a Responsible Officer of the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the holders of Senior Debt or their representatives or agents.

The provisions of this Section shall not apply to any payment with respect to which Section 13.2 would be applicable.

SECTION 13.5. Obligations of Company Unconditional.

Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any Proceeding referred to in Section 13.2 or under the conditions described in Sections 13.3 and 13.4, from making payments at any time of principal of (and premium, if any) or interest (including Additional Interest) on the Securities, or (b) the application by the Trustee of any money deposited with it

hereunder to the payment of or on account of the principal of (and premium, if any) or interest (including any Additional Interest) on the Securities or the retention of such payment by the Holders, if, at the time of such application by the Trustee, a Responsible Officer of the Trustee did not have actual knowledge that such payment would have been prohibited by the provisions of this Article. Notwithstanding the foregoing, the failure of the Company to make a payment on account of principal of (or premium, if any) or interest on (including any Additional Interest) the Securities by reason of any provision of this Article XIII shall not prevent the occurrence of an Event of Default under Article V, or prevent the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon the occurrence of an Event of Default, subject to the rights, if any, under this Article XIII of the holders of Senior Debt in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

SECTION 13.6. Subrogation to Rights of Holders of Senior Debt.

Subject to the payment in full of all amounts due or to become due on all Senior Debt to the extent provided herein, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Debt pursuant to the provisions of this Article (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to Senior Debt of the Company to substantially the same extent as the Securities are subordinated to the Senior Debt and is entitled to like rights of subrogation by reason of any payments or distributions made to holders of such Senior Debt) to the rights of the holders of such Senior Debt to receive payments and distributions of cash, property and securities applicable to the Senior Debt until the principal of (and premium, if any) and interest (including Additional Interest) on the Securities shall be paid in full. For 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 Securities or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Debt by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Debt, and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Debt. A release of any claim by any holder of Senior Debt shall not limit the Rights of the Holders of Securities under this Section 13.6.

SECTION 13.7. Provisions Solely to Define Relative Rights.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Debt on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as between the Company and the Holders of the Securities, the obligations of the Company, which are absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than their rights in relation to the holders of Senior Debt; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture including, without limitation, filing and voting claims in any Proceeding, subject to the rights, if any, under this Article of the holders of Senior Debt to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 13.8. Trustee to Effectuate Subordination.

Each Holder of a Security by his or her acceptance thereof authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination provided in this Article and appoints the Trustee his or her attorney-in-fact for any and all such purposes.

SECTION 13.9. No Waiver of Subordination Provisions.

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 that any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the immediately preceding paragraph, the holders of Senior Debt may, at any time and from to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the

Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of 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, Senior Debt, or otherwise amend or supplement in any manner Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

#### SECTION 13.10. Notice to Trustee.

The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Debt or from any trustee, agent or representative therefor; provided, however, that if the Trustee shall not have received the notice provided for in this Section at least two Business Days prior to the date upon which by the terms hereof any monies may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest (including any Additional Interest) on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall be entitled to assume conclusively that such facts do not exist and the Trustee shall have full power and authority to receive such monies 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 within two Business Days prior to such date.

Subject to the provisions of Section 6.1, 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 therefor) to establish that such notice has been given by a holder of Senior Debt (or a trustee therefor). 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, 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, 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 13.11. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities shall be entitled to conclusively rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent of the foregoing or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or 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.

SECTION 13.12. Trustee Not Fiduciary for Holders of Senior Debt.

The Trustee, in its capacity as trustee under this Indenture, shall not be deemed to owe any fiduciary duty to the holders of Senior Debt and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Debt shall be entitled by virtue of this Article or otherwise.

SECTION 13.13. Rights of Trustee as Holder of Senior Debt; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Debt which may at any time be held by it, to the same extent as any other holder of Senior Debt, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder. Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.7.

SECTION 13.14. 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 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 in addition to or in place of the Trustee.

SECTION 13.15. Certain Conversions or Exchanges Deemed Payment.

For the purposes of this Article only, (a) the issuance and delivery of junior securities upon conversion or exchange of Securities shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any) or interest (including any Additional Interest) on Securities or on account of the purchase or other acquisition of Securities, and (b) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion or exchange of a Security shall be deemed to constitute payment on account of the principal of such security. For the purposes of this Section, the term "junior securities" means (i) shares of any stock of any class of the Company and (ii) securities of the Company which are subordinated in right of payment to all Senior Debt which may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article.

\* \* \* \*

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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

Houston Lighting & Power Company

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Vice President

The Bank of New York,  
as trustee

By: \_\_\_\_\_  
Name:  
Title:

=====

HOUSTON LIGHTING & POWER COMPANY

to

THE BANK OF NEW YORK, as Trustee

-----  
SUPPLEMENTAL INDENTURE No. [ ]

Dated as of \_\_\_\_\_, 1997

-----  
\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_  
\$\_\_\_\_\_

[CAPITAL SECURITIES]

=====



HOUSTON LIGHTING & POWER COMPANY

SUPPLEMENTAL INDENTURE No. [ ]

\$ \_\_\_\_\_

\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_

SUPPLEMENTAL INDENTURE No. \_\_, dated as of \_\_\_\_\_ \_\_, 1997, between HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (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 \_\_\_\_\_ \_\_, 1997 (the "Indenture"), providing for the issuance from time to time of series of the Company's Securities.

Section 3.1 of the Indenture provides that various matters with respect to any series of Securities issued under the Indenture may be established in an indenture supplemental to the Indenture.

Section 9.1(3) 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 Securities of any series as permitted by Section 2.1 or 3.1 of the Indenture.

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

ARTICLE 1

Relation to Indenture; Definitions

Section 1.1. This Supplemental Indenture No. [ ] constitutes an integral part of the Indenture.

Section 1.2. For all purposes of this Supplemental Indenture No. [ ]:

(1) Capitalized terms used herein shall have the meanings specified herein or in the Indenture or in the

Amended and Restated Trust Agreement, dated as of \_\_\_\_\_, 1997, among the Company, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and the Administrative Trustees named therein, as the case may be.

(2) "Securities Trust" means HL&P Capital Trust [ ], a statutory business trust formed by the Company under Delaware law to issue Preference Securities, the proceeds of which will be used to purchase the Securities.

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

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

## ARTICLE 2

### The Series of Securities

Section 2.1. Title of the Securities. There shall be a series of

-----  
Securities designated the "\_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_\_\_" (the "Series \_\_ Securities").

Section 2.2. Limitation on Aggregate Principal Amount; Date of

-----  
Series \_\_ Securities. The aggregate principal amount of the Series \_\_

-----  
Securities shall be limited to \$\_\_\_\_\_; provided, however, that the

-----  
authorized aggregate principal amount of the Series \_\_ Securities may be increased above such amount by a Board Resolution to such effect. Each Series \_\_ Security shall be dated the date of its authentication.

Section 2.3. Stated Maturity. The Stated Maturity of the Series \_\_

-----  
Securities shall be \_\_\_\_\_; \_\_\_\_\_; provided, if a Tax Event occurs, then

-----  
the Company will have the right (a) prior to the dissolution of the Securities Trust, to advance the Stated Maturity of the Series \_\_ Securities to the minimum extent required, but not less than 19 and one-half years from the date of the Original Issue Date, or (b) to dissolve the Securities Trust (if not previously dissolved) and advance the Stated Maturity of the Series \_\_ Securities to the minimum extent required, but not less than 19 and one-half years from the date of the Original Issue Date, in each case such that in the opinion of counsel to the Company, after advancing the Stated Maturity, interest

paid on the Series \_\_ Securities will be deductible for federal income tax purposes.

Section 2.4. Interest and Interest Rates. The rate of interest on

-----  
each Series \_\_ Security shall be \_\_\_\_% per annum, accruing from \_\_\_\_\_  
\_\_, 199\_\_ and, subject to Section 2.5, interest shall be payable, semi-annually  
in arrears, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year (each such date, an  
"Interest Payment Date"), commencing \_\_\_\_\_, 199\_\_. The rate of any  
Additional Interest that shall accrue on each Series \_\_ Security shall be at the  
same rate per annum as the interest rate on such Series \_\_ Security. The amount  
of interest payable for any period shall be computed on the basis of a 360-day  
year of twelve 30-day months. The amount of interest payable for any partial  
period shall be computed on the basis of a 360-day year of twelve 30-day months  
and the number of days elapsed in a partial month. In the event that any date on  
which interest is payable on a Series \_\_ Security is not a Business Day, then a  
payment of the interest payable on such date will be made on the next succeeding  
day which is a Business Day (and without any interest or other payment in  
respect of any such delay), except that, if such Business Day 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  
shall be paid to the Person in whose name such Series \_\_ Security (or one or  
more Predecessor Securities) is registered at the close of business on the  
Regular Record Date for such interest installment. In the event interest payable  
on any Series \_\_ Security is not punctually paid or duly provided for on any  
Interest Payment Date, such interest shall forthwith cease to be payable to the  
Holder on the applicable Regular Record Date and shall either (i) be paid to the  
Person in whose name such Series \_\_ Security (or one or more Predecessor  
Securities) is registered at the close of business on the Special Record Date  
for the payment of such Defaulted Interest to be fixed by the Trustee, notice  
whereof shall be given to Holders of the Series \_\_ Securities not less than 10  
days prior to such Special Record Date, or (ii) be paid to the Holder at such  
time in such lawful manner not inconsistent with the requirements of any  
securities exchange, the Nasdaq National Market or other applicable interdealer  
quotation system or self-regulatory organization on which the Series \_\_  
Securities may be listed, and upon such notice as may be required by such  
exchange or other self-regulatory organization, all as more fully provided in  
the Indenture.

Section 2.5. Extension of Interest Payment Period. (a) So long as

-----  
no Event of Default has occurred and is continuing, the Company shall have the right, at any time and from time to time during the term of the Series \_\_\_ Securities, from time to time, to defer the payment of interest on the Series \_\_\_ Securities for up to 10 consecutive semi-annual periods with respect to each, during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date; provided however that no Extension Period may extend beyond the Stated Maturity of the Series \_\_\_ Securities. At the end of any such Extension Period the Company shall pay all interest then accrued and unpaid on the Securities (together with Additional Interest thereon, if any, to the extent permitted by applicable law), provided,

-----  
that during any such Extension Period, the Company will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu

-----  
with or junior in interest to the Series \_\_\_ Securities or make any guarantee payments with respect to any guarantee by the Company or the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior

-----  
in interest to the Securities (other than (a) dividends or distributions in capital stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any such rights distributed pursuant to a Rights Plan, (c) payments under the HL&P Guarantee and (d) purchases of Common Stock or rights related to the issuance of Common Stock under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of Common Stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest on the Series \_\_\_ Securities, provided that no Extension

-----  
Period shall exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Series \_\_\_ Securities. Upon termination of any such Extension Period and upon the payment of all accrued and unpaid, including Additional Interest, if any, then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Property Trustee, the Administrative Trustees and the

Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the earliest of (i) the date the Distributions on the Capital Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to any securities exchange, the Nasdaq National Market or other applicable stock exchange or automated quotation system or to holders of such Capital Securities of the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the holders of the outstanding Capital Securities.

Section 2.6. Place of Payment. The Place of Payment where the  
-----

Securities may be presented or surrendered for payment, where the Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Series \_\_ Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee.

Section 2.7. Redemption. The Company has the right to redeem the  
-----

Series \_\_ Securities (i) on or after \_\_, 20\_\_, in whole at any time or in part from time to time, or (ii) prior to \_\_\_\_\_ 1, 20\_\_, in whole (but not in part) within 90 days following the occurrence of a Special Event, in each case subject to the provisions of Article XI of the Indenture.

The Redemption Price, in the case of a redemption under (i) above, shall equal the following prices expressed in percentages of the principal amount hereof, plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. If redeemed during the 12 month period beginning 1:

Year	Percentage
----	-----

and at 100% on or after \_\_\_\_\_ 1, 20\_\_.

The Redemption Price, in the case of a redemption following a Special Event as described under (ii) above, shall equal the Make-Whole Amount plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. The "Make-Whole Amount" shall be equal to the greater of (i) 100% of the principal amount of the Series Securities or (ii) as determined by a Quotation Agent (as defined below), the sum of the present values of the principal amount and premium payable as part of the

Redemption Price with respect to an optional redemption of such Series \_\_\_ Security on \_\_\_\_\_, 20\_\_, together with scheduled payments of interest from the Redemption Date to \_\_\_\_\_, 20\_\_ (the "Remaining Life"), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below).

"Adjusted Treasury Rate" means with respect to any Redemption Date, the Treasury Rate (as defined below) plus (i) \_\_\_\_\_ if such Redemption Date occurs on or before \_\_\_\_\_ or (ii) \_\_\_\_\_ if such Redemption Date occurs after \_\_\_\_\_, \_\_\_\_.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

"Comparable Treasury Issue" means, with respect to any Redemption Date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after \_\_\_\_\_, 20\_\_, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated

or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (i) the average of five Reference Treasury Dealer Quotations (as defined below) for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Quotation Agent" means Goldman, Sachs & Co. and its successors;

provided, however, that if the foregoing shall cease to be a primary U.S.

-----  
Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer" means (i) the Quotation Agent and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Section 2.8. Distribution of Series \_\_\_ Securities. At any time, the

-----  
Company may terminate the Securities Trust and cause the Series \_\_\_ Securities to be distributed to Holders of the Trust Securities in liquidation of the Securities Trust.

Section 2.9. Denomination. The Series \_\_\_ Securities shall be in

-----  
registered form without coupons and shall be issuable in denominations of \$1,000 and integral multiples thereof.

Section 2.10. Currency. Principal and interest on the Series \_\_\_

-----  
Securities shall be payable in Dollars.

Section 2.11. Form of Securities. The Series \_\_\_ Securities shall be

-----  
substantially in the form attached as Exhibit A hereto.

Section 2.12. Securities Registrar and Paying Agent. The Trustee

-----  
shall initially serve as Series \_\_\_ Securities Registrar and Paying Agent.

Section 2.13. Sinking Fund Obligations. The Company has no  
-----

obligation to redeem or purchase any Securities pursuant to any sinking fund or analogous requirement or upon the happening of a specified event or at the option of a Holder thereof.

### ARTICLE 3

#### Miscellaneous Provisions

Section 3.1. The Indenture, as supplemented and amended by this Supplemental Indenture No. [ ], is in all respects hereby adopted, ratified and confirmed.

Section 3.2. This Supplemental Indenture No. [ ] 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 3.3. THIS SUPPLEMENTAL INDENTURE NO. [ ] AND EACH SERIES \_\_\_ SECURITY 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, as of the day and year first written above.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Name:  
Title:

Attest: \_\_\_\_\_

THE BANK OF NEW YORK,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

-----

[FORM OF FACE OF SECURITY]

IF THE SECURITY IS TO BE A GLOBAL SECURITY - This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York) to Houston Lighting & Power Company or its agent for registration of transfer, exchange or payment, and any 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 inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

HOUSTON LIGHTING & POWER COMPANY

\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_

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

HOUSTON LIGHTING & POWER COMPANY, a corporation organized and existing under the laws of Texas (hereinafter called 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 \_\_\_\_\_, \_\_\_\_\_; provided, if

-----

a Tax Event occurs, then the Company will have the right (a) prior to the dissolution of the Securities Trust, to advance the

Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the date of Original Issue Date, or (b) to dissolve the Securities Trust (if not previously dissolved) and advance the Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the date of Original Issue Date, in each case such that in the opinion of counsel to the Company, after advancing the maturity date, interest paid on the Securities will be deductible for federal income tax purposes. The Company further promises to pay interest on said principal sum from \_\_\_\_\_, 199\_ or from the most recent interest payment date (each such date, an "Interest Payment Date") on which interest has been paid or duly

-----  
provided for, semi-annually (subject to deferral as set forth herein) in arrears on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_, 199\_\_, at the rate of \_\_\_\_% per annum, until the principal hereof shall have become due and payable, plus Additional Interest, if any, until the principal hereof is paid or duly provided for or made available for payment and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the rate of \_\_\_\_% per annum, compounded semi-annually. The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day 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 the payment was originally payable. A "Business Day" shall mean any day other than (i) a

-----  
Saturday or Sunday, (ii) a day on which banking institutions in the City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee or with respect to the Securities of this series initially issued to any HL&P Trust the principal office of the Property Trustee under the Trust Agreement is closed for business. 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 Security (or one or more Predecessor Securities, as defined in the Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. Any such interest installment not so punctually paid or duly provided for

shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, the Nasdaq National Market or other applicable interdealer quotation system or self-regulatory organization on which the Securities of this series may be listed or traded, and upon such notice as may be required by such exchange or other self-regulatory organization, all as more fully provided in said Indenture.

So long as no Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of this Security, from time to time, to defer the payment of interest on such Security for up to 10 consecutive semi-annual periods with respect to each deferral period (each an

"Extension Period"); provided, however that no Extension Period may extend the

-----  
Stated Maturity of the Security. During such Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and at the end of which the Company shall pay all interest then accrued and unpaid (together with Additional Interest thereon to the extent permitted by applicable law); provided that during any such Extension Period,

-----  
the Company will not, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to this Security or make

-----  
any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu

-----  
with or junior in interest to the Securities (other than (a) dividends or distributions in Capital Stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any such rights distributed pursuant to a Rights Plan, (c) payments under any HL&P Guarantee and (d) purchases of Common Stock related to the issuance of Common Stock under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of Common Stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction

that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that no Extension Period shall

-----  
exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of this Security. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period except at the end thereof. The Company shall give the Property Trustee, the Administrative Trustees and the Trustee notice of its election to begin an Extension Period at least one Business Day prior to the earliest of (i) the date the Distributions on the Capital Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to any securities exchange, the Nasdaq National Market or other applicable stock exchange or automated quotation system or self-regulatory organization or to holders of such Capital Securities of the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the United States, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that except in the case of a Global Security

-----  
at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated in writing by the Person entitled thereto as specified in the Securities Register.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payments to the prior payment in full of all Senior Debt, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, 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 actions as may be necessary or appropriate to 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, waives all notice of the acceptance of the subordination provisions contained herein and in

the Indenture by each holder of Senior Debt, whether not outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Authorized Officer

Attest:

\_\_\_\_\_  
[Secretary]

Dated:

This is one of the Securities referred to in the within mentioned Indenture.

THE BANK OF NEW YORK,  
as Trustee

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

[FORM OF REVERSE OF SECURITY]

This Security is one of a duly authorized issue of securities of the Company (hereinafter called the "Securities"), issued and to be issued in one or

-----  
more series under a Junior Subordinated Indenture, dated as of \_\_\_\_\_, 1997 (herein called the "Indenture"), between the Company and The Bank of New

-----  
York, as Trustee (herein called the "Trustee", which term includes any successor

-----  
trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$\_\_\_\_\_.

All terms used in this Security that are defined in the Indenture or in the Amended and Restated Trust Agreement, dated as of \_\_\_\_\_, 199\_\_ (the "Trust Agreement"), for the Securities Trust among Houston Lighting & Power

-----  
Company, as Depositor, and the Trustees named therein, shall have the meanings assigned to them in the Indenture or the Trust Agreement, as the case may be.

The Company has the right to redeem this Security (i) on or after \_\_\_\_\_, 20\_\_, in whole at any time or in part from time to time, or (ii) prior to \_\_\_\_\_ 1, 20\_\_, in whole (but not in part) within 90 days following the occurrence of a Special Event, in each case subject to the provisions of Article XI of the Indenture.

The Redemption Price, in the case of a redemption under (i) above, shall equal the following prices expressed in percentages of the principal amount hereof, plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. If redeemed during the 12 month period beginning \_\_\_\_\_ 1:

Year	Percentage
----	-----

and at 100% on or after \_\_\_\_\_ 1, 20\_\_.

The Redemption Price, in the case of a redemption following a Special Event, as described under (ii) above, shall equal the Make-Whole Amount plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. The "Make-Whole Amount" shall be equal to

the greater of (i) 100% of the principal amount hereof or (ii) as determined by a Quotation Agent (as defined below), the sum of the present values of the principal amount and premium payable as part of the Redemption Price with respect to an optional redemption hereof on \_\_\_\_\_, 20\_\_, together with scheduled payments of interest from the Redemption Date to \_\_\_\_\_, 20\_\_ (the "Remaining Life"), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate (as defined below).

"Adjusted Treasury Rate" means with respect to any Redemption Date, the Treasury Rate (as defined below) plus (i) \_\_\_\_\_ if such Redemption Date occurs on or before \_\_\_\_\_ or (ii) \_\_\_\_\_ if such Redemption Date occurs after \_\_\_\_\_.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

"Comparable Treasury Issue" means, with respect to any Redemption Date, the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after \_\_\_\_\_, 20\_\_, the two most closely corresponding United



States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (i) the average of five Reference Treasury Dealer Quotations (as defined below) for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Quotation Agent" means Goldman, Sachs & Co. and their successors; provided however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer" means (i) the Quotation Agent and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Each Security of this series that shall be subject to a partial redemption shall be redeemable only in the amount of \$1000 or, in the case the Securities of this Series are issued to the Securities Trust, \$1000, or integral multiples thereof.

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

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for satisfaction and discharge of the entire indebtedness of this Security

upon compliance by the Company with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series to be affected by such supplemental indenture. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of

-----  
the Securities of a series issued to the Securities Trust, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series fail to declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be immediately due and payable, the holders of at least 25% in aggregate liquidation amount of the corresponding series of Capital Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration such principal amount (or specified amount) of and the accrued interest (including any Additional Interest) on all the Securities of such series shall become immediately due and payable, provided that the payment of principal and interest (including any

Additional Interest) on such Securities shall remain subordinated to the extent provided in Article Thirteen of the Indenture.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of such series of a different authorized denomination, as requested by the Holder surrendering the same.

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

THE INDENTURE AND THIS SECURITY 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.

A-11

=====

HOUSTON LIGHTING & POWER COMPANY

to

THE BANK OF NEW YORK, as Trustee

-----  
SUPPLEMENTAL INDENTURE No. [ ]

Dated as of \_\_\_\_\_, 1997

-----  
\_\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_  
\$ \_\_\_\_\_

[PREFERRED SECURITIES]

=====

HOUSTON LIGHTING & POWER COMPANY

SUPPLEMENTAL INDENTURE No. [ ]

\$ \_\_\_\_\_

\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_

SUPPLEMENTAL INDENTURE No. 1, dated as of \_\_\_\_\_, 1997,  
between HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (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 \_\_\_\_\_, 1997 (the  
"Indenture"), providing for the issuance from time to time of series of the  
Company's Securities.

Section 3.1 of the Indenture provides that various matters with  
respect to any series of Securities issued under the Indenture may be  
established in an indenture supplemental to the Indenture.

Section 9.1(3) 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 Securities of any series as permitted by Section 2.1 or 3.1  
of the Indenture.

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

ARTICLE 1

Relation to Indenture; Definitions

Section 1.1. This Supplemental Indenture No. [ ] constitutes an  
integral part of the Indenture.

Section 1.2. For all purposes of this Supplemental Indenture  
No. [ ]:

(1) Capitalized terms used herein shall have the meanings specified herein or in the Indenture or in the Amended and Restated Trust Agreement, dated as of \_\_\_\_\_, 1997, among the Company, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and the Administrative Trustees named therein, as the case may be.

(2) "Securities Trust" means HL&P Capital Trust [\_\_\_], a statutory business trust formed by the Company under Delaware law to issue Preference Securities, the proceeds of which will be used to purchase the Securities.

(3) All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture No. [\_\_\_]; and

(4) The terms "herein", "hereof", "hereunder" and other words of similar import refer to this Supplemental Indenture No. [\_\_\_].

## ARTICLE 2

### The Series of Securities

Section 2.1. Title of the Securities. There shall be a series of

-----  
Securities designated the "\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_\_" (the "Series \_\_\_ Securities").

Section 2.2. Limitation on Aggregate Principal Amount; Date of

-----  
Series \_\_\_ Securities. The aggregate principal amount of the Series \_\_\_

-----  
Securities shall be limited to \$\_\_\_\_\_; provided, however, that the

-----  
authorized aggregate principal amount of the Series \_\_\_ Securities may be increased above such amount by a Board Resolution to such effect. Each Series \_\_\_ Security shall be dated the date of its authentication.

Section 2.3. Stated Maturity. The Stated Maturity of the Series \_\_\_

-----  
Securities shall be \_\_\_\_\_, \_\_\_\_\_; provided, if a Tax Event occurs, then the

-----  
Company will have the right (a) prior to the dissolution of the Securities Trust, to advance the Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the date of the Original Issue Date, or (b) to dissolve the Series \_\_\_ Securities Trust (if not previously dissolved) and advance the Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the date of the Original Issue Date, in

each case such that in the opinion of counsel to the Company, after advancing the Stated Maturity, interest paid on the Series \_\_ Securities will be deductible for federal income tax purposes.

Section 2.4. Interest and Interest Rates. The rate of interest on

-----  
each Series \_\_ Security shall be \_\_\_\_% per annum, accruing from \_\_\_\_\_  
\_\_, 199\_ and, subject to Section 2.5, interest shall be payable, quarterly in  
arrears, on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ of each year (each  
such date, an "Interest Payment Date"), commencing \_\_\_\_\_, 199\_. The rate  
of any Additional Interest that shall accrue on each Series \_\_ Security shall be  
at the same rate per annum as the interest rate on such Series \_\_ Security. The  
amount of interest payable for any period shall be computed on the basis of a  
360-day year of twelve 30-day months. The amount of interest payable for any  
partial period shall be computed on the basis of a 360-day year of twelve 30-day  
months and the number of days elapsed in a partial month. In the event that any  
date on which interest is payable on a Series \_\_ Security is not a Business Day,  
then a payment of the interest payable on such date will be made on the next  
succeeding day which is a Business Day (and without any interest or other  
payment in respect of any such delay), except that, if such Business Day 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  
shall be paid to the Person in whose name such Series \_\_ Security (or one or  
more Predecessor Securities) is registered at the close of business on the  
Regular Record Date for such interest installment. In the event interest payable  
on any Series \_\_ Security is not punctually paid or duly provided for on any  
Interest Payment Date, such interest shall forthwith cease to be payable to the  
Holder on the applicable Regular Record Date and shall either (i) be paid to the  
Person in whose name such Series \_\_ Security (or one or more Predecessor  
Securities) is registered at the close of business on the Special Record Date  
for the payment of such Defaulted Interest to be fixed by the Trustee, notice  
whereof shall be given to Holders of the Series \_\_ Securities not less than 10  
days prior to such Special Record Date, or (ii) be paid to the Holder at such  
time in such lawful manner not inconsistent with the requirements of any  
securities exchange, the Nasdaq National Market or other applicable interdealer  
quotation system or self-regulatory organization on which the Series \_\_  
Securities may be listed, and upon such notice as may be required by such  
exchange or other self-regulatory organization, all as more fully provided in  
the Indenture.



Section 2.5. Extension of Interest Payment Period. (a) So long as

-----  
no Event of Default has occurred and is continuing, the Company shall have the right, at any time and from time to time during the term of the Series \_\_\_ Securities to defer the payment of interest on the Securities for up to 20 consecutive quarterly periods with respect to each Extension Period, during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date; provided, however that no Extension Period may extend beyond the Stated Maturity of the Series \_\_\_ Securities. At the end of any such Extension Period, the Company shall pay all interest then accrued and unpaid on the Series \_\_\_ Securities (together with Additional Interest thereon, if any, to the extent permitted by applicable law); provided, that during any such Extension Period, the Company will not, (i)

-----  
declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to the Series \_\_\_ Securities or make any

-----  
guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company, if such guarantee ranks pari passu

-----  
with or junior in interest to the Series \_\_\_ Securities (other than (a) dividends or distributions in capital stock of the Company, (b) any declaration of a dividend under a Rights Plan or in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any such rights distributed pursuant to a Rights Plan, (c) payments under the HL&P Guarantee and (d) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of Common Stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest on the Series \_\_\_ Securities, provided that no Extension

-----  
Period shall exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Series \_\_\_ Securities. Upon termination of any such Extension Period and upon the payment of all interest then accrued and unpaid, including Additional Interest, if any, then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Property

Trustee, the Administrative Trustees and the Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the earliest of (i) the date the Distributions on the Preferred Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to any securities exchange, the Nasdaq National Market or other applicable stock exchange or automated quotation system or to holders of such Series \_\_ Securities of the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the holders of the outstanding Preferred Securities.

Section 2.6. Place of Payment. The Place of Payment where the

-----  
Securities may be presented or surrendered for payment, where the Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Series \_\_ Securities and the Indenture may be served shall be the Corporate Trust Office of the Trustee.

Section 2.7. Redemption. At any time on or after

-----  
the Company may, at its option, subject to the terms and conditions of Article XI of the Indenture, redeem the Series \_\_ Securities in whole at any time or in part from time to time, without premium or penalty, at a redemption price equal to 100% of the principal amount thereof plus the accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date; provided that in the event partial redemption of the Series \_\_ Securities would result in the delisting of the Preference Securities issued by the Securities Trust, the Company may only redeem the Series \_\_ Securities in whole.

If a Special Event in respect of the Securities Trust shall occur and be continuing, the Company may, at its option, redeem the Series \_\_ Securities within 90 days of the occurrence of such Special Event, in whole but not in part, subject to the provisions of Article XI of the Indenture. The redemption price for any Series \_\_ Security so redeemed shall be equal to 100% of the principal amount thereof plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date.

Section 2.8. Distribution of Series \_\_ Securities. At any time, the

-----  
Company may terminate the Securities Trust and cause the Series \_\_ Securities to be distributed to Holders of the Trust Securities in liquidation of the Securities Trust.

Section 2.9. Denomination. The Series \_\_ Securities shall be in

-----  
registered form without coupons and shall be issuable in denominations of \$25 and integral multiples thereof.

Section 2.10. Currency. Principal and interest on the Series \_\_  
-----

Securities shall be payable in Dollars.

Section 2.11. Form of Securities. The Series \_\_ Securities shall be  
-----

substantially in the form attached as Exhibit A hereto.

Section 2.12. Securities Registrar and Paying Agent. The Trustee  
-----

shall initially serve as Securities Registrar and Paying Agent.

Section 2.13. Sinking Fund Obligations. The Company has no  
-----

obligation to redeem or purchase any Series \_\_ Securities pursuant to any sinking fund or analogous requirement or upon the happening of a specified event or at the option of a Holder thereof.

### ARTICLE 3

#### Miscellaneous Provisions

Section 3.1. The Indenture, as supplemented and amended by this Supplemental Indenture No. [\_\_], is in all respects hereby adopted, ratified and confirmed.

Section 3.2. This Supplemental Indenture No. [\_\_] 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 3.3. THIS SUPPLEMENTAL INDENTURE NO. [\_\_] AND EACH SERIES \_\_ SECURITY 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. [ ] to be duly executed, as of the day and year first written above.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Name:  
Title:

Attest: \_\_\_\_\_

THE BANK OF NEW YORK,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

[FORM OF FACE OF SECURITY]

IF THE SECURITY IS TO BE A GLOBAL SECURITY - This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York) to Houston Lighting & Power Company or its agent for registration of transfer, exchange or payment, and any 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 inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

HOUSTON LIGHTING & POWER COMPANY

\_\_\_\_% Junior Subordinated Deferrable Interest Debentures  
Series \_\_\_\_

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

HOUSTON LIGHTING & POWER COMPANY, a corporation organized and existing under the laws of Texas (hereinafter called 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 \_\_\_\_\_, \_\_\_\_\_; provided, if a

-----  
Tax Event occurs, then the Company will have the right (a) prior to the dissolution of the Securities Trust, to advance the

Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the date of Original Issue Date, or (b) to dissolve the Securities Trust (if not previously dissolved) and advance the Stated Maturity of the Securities to the minimum extent required, but not less than 19 and one-half years from the Original Issue Date, in each case such that in the opinion of counsel to the Company, after advancing the maturity date, interest paid on the Securities will be deductible for federal income tax purposes. The Company further promises to pay interest on said principal sum from \_\_\_\_\_, 199\_ or from the most recent interest payment date (each such date, an "Interest Payment Date") on which interest has been paid or duly

-----  
providing for, quarterly (subject to deferral as set forth herein) in arrears on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 199\_, at the rate of \_\_\_\_% per annum, until the principal hereof shall have become due and payable, plus Additional Interest, if any, until the principal hereof is paid or duly provided for or made available for payment and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the rate of \_\_\_\_% per annum, compounded quarterly. The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day 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 the payment was originally payable. A "Business Day" shall mean any day other than

-----  
(i) a Saturday or Sunday, (ii) a day on which banking institutions in the City of New York are authorized or required by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office of the Trustee or, with respect to the Securities of this series initially issued to an HL&P Trust, the principal office of the Property Trustee under the Trust Agreement is closed for business. 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 Security (or one or more Predecessor Securities, as defined in the Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. Any such interest installment not so punctually paid or duly provided for

shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, the Nasdaq National Market or other applicable interdealer quotation system or self-regulatory organization on which the Securities of this series may be listed or traded, and upon such notice as may be required by such exchange or other self-regulatory organization, all as more fully provided in said Indenture.

So long as no Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of this Security, from time to time, to defer the payment of interest on such Security for up to 20 consecutive quarterly periods with respect to each deferral period (each an "Extension Period"), provided, however that no Extension Period may extend the

-----  
Stated Maturity of the Security. During such Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and at the end of which the Company shall pay all interest then accrued and unpaid (together with Additional Interest thereon to the extent permitted by applicable law); provided that during any such Extension Period, the Company

-----  
will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal or of interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to this Security or make

-----  
any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu

-----  
with or junior in interest to the Securities (other than (a) dividends or distributions in capital stock of the Company, (b) any declaration of a dividend under a Rights Plan in connection with the implementation of a Rights Plan, the issuance of capital stock of the Company under a Rights Plan or the redemption or repurchase of any such rights distributed pursuant to a Rights Plan, (c) payments under any HL&P Guarantee and (d) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers or employees, related to the issuance of Common Stock or rights under a dividend reinvestment and stock purchase plan or related to the issuance of Common Stock (or securities convertible into or exchangeable for common stock) as consideration in an acquisition transaction

that was entered into prior to the commencement of such Extension Period). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that no Extension Period shall exceed 20

-----  
consecutive quarters or extend beyond the Maturity of this Security. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period except at the end thereof. The Company shall give the Property Trustee, the Administrative Trustees and the Trustee notice of its election to begin an Extension Period at least one Business Day prior to the earliest of (i) the date the Distributions on the Preferred Securities would have been payable except for the election to begin such Extension Period, (ii) the date the Administrative Trustees are required to give notice to any securities exchange, the Nasdaq National Market or other applicable stock exchange as automated quotation system or self-regulatory organization or to holders of such Preferred Securities of the record date for such Distributions or (iii) the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the United States, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that except in the case of a Global Security

-----  
at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Securities Register.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payments to the prior payment in full of all Senior Debt, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, 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 actions as may be necessary or appropriate to 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, waives all notice of the acceptance of the subordination provisions contained herein and in



the Indenture by each holder of Senior Debt, whether not outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Authorized Officer

Attest:

-----  
[Secretary]

This is one of the Securities referred to in the within mentioned Indenture.

THE BANK OF NEW YORK,  
as Trustee

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

[FORM OF REVERSE OF SECURITY]

This Security is one of a duly authorized issue of securities of the Company (hereinafter called the "Securities"), issued and to be issued in one or

-----  
more series under a Junior Subordinated Indenture, dated as of \_\_\_\_\_, 1997 (herein called the "Indenture"), between the Company and The Bank of New

-----  
York, as Trustee (herein called the "Trustee", which term includes any successor

-----  
trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$\_\_\_\_\_.

All terms used in this Security that are defined in the Indenture or in the Amended and Restated Trust Agreement, dated as of \_\_\_\_\_, 199\_ (the "Trust Agreement"), for the Securities Trust among Houston Lighting &

-----  
Power Company, as Depositor, and the Trustees named therein, shall have the meanings assigned to them in the Indenture or the Trust Agreement, as the case may be.

On or after \_\_\_\_\_, 20\_\_, the Company may at any time, at its option, subject to the terms and conditions of Article XI of the Indenture, redeem this Security in whole at any time or in part from time to time, without premium or penalty, at a redemption price equal to 100% of the principal amount thereof plus the accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date; provided that in the event partial redemption of the Securities would result in the delisting of the Preferred Securities issued by the Securities Trust, the Company may only redeem the Securities in whole.

If a Special Event in respect of the Securities Trust shall occur and be continuing, the Company may, at its option, redeem this Security within 90 days of the occurrence of such Special Event, in whole but not in part, subject to the provisions of Article XI of the Indenture. The redemption price for any Security so redeemed shall be equal to 100% of the principal amount thereof plus accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date.

Each Security of this series that shall be subject to a partial redemption, shall be redeemable only in the amount of \$25 or, in the case the Securities of this Series are issued to the Securities Trust, \$25, or integral multiples thereof.

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

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for satisfaction and discharge of the entire indebtedness of this Security upon compliance by the Company with certain conditions set forth in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series to be affected by such supplemental indenture. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, in the case of -----  
the Securities of a series issued to the Securities Trust, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities

of that series fail to declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be immediately due and payable, the holders of at least 25% in aggregate liquidation amount of the corresponding series of Preferred Securities then outstanding shall have such right by a notice in writing to the Company and the Trustee; and upon any such declaration such principal amount (or specified amount) of and the accrued interest (including any Additional Interest) on all the Securities of such series shall become immediately due and payable, provided

-----  
that the payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article Thirteen of the Indenture.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth,

Securities of this series are exchangeable for a like aggregate principal amount of Securities of such series of a different authorized denomination, as requested by the Holder surrendering the same.

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

THE INDENTURE AND THIS SECURITY 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.

CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST I

THIS CERTIFICATE OF TRUST of HL&P Capital Trust I (the "Trust"), dated January 10, 1997, is being duly executed and filed by the undersigned as trustee, to form a business trust under the Delaware Business Trust Act (12 Del. C. (S)3801 et seq.).  
----- -- --

1. Name. The name of the business trust being formed hereby is

-----

HL&P Capital 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), White Clay Center, Route 273, Newark, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective at

-----

the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the Trust at the time of filing this Certificate of Trust, has executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst

-----

Name: Joseph G. Ernst  
Title: Assistant Vice President

CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST II

THIS CERTIFICATE OF TRUST of HL&P Capital Trust II (the "Trust"), dated January 10, 1997, is being duly executed and filed by the undersigned as trustee, to form a business trust under the Delaware Business Trust Act (12 Del. C. (S) 3801 et seq.).  
-----

1. Name. The name of the business trust being formed hereby is  
-----

HL&P Capital Trust II.

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), White Clay Center, Route 273, Newark, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective at  
-----

the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the Trust at the time of filing this Certificate of Trust, has executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst  
-----

Name: Joseph G. Ernst  
Title: Assistant Vice President

CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST III

THIS CERTIFICATE OF TRUST of HL&P Capital Trust III (the "Trust"), dated January 10, 1997, is being duly executed and filed by the undersigned as trustee, to form a business trust under the Delaware Business Trust Act (12 Del. C. (S) 3801 et seq.).  
-----

1. Name. The name of the business trust being formed hereby is  
-----

HL&P Capital Trust III.

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), White Clay Center, Route 273, Newark, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective at  
-----

the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the Trust at the time of filing this Certificate of Trust, has executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst  
-----

Name: Joseph G. Ernst  
Title: Assistant Vice President



CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST IV

THIS CERTIFICATE OF TRUST of HL&P Capital Trust IV (the "Trust"), dated January 10, 1997, is being duly executed and filed by the undersigned as trustee, to form a business trust under the Delaware Business Trust Act (12 Del. C. (S) 3801 et seq.).

-----

1. Name. The name of the business trust being formed hereby is  
----  
HL&P Capital Trust IV.

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), White Clay Center, Route 273, Newark, Delaware 19711.

3. Effective Date. This Certificate of Trust shall be effective at  
-----  
the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the Trust at the time of filing this Certificate of Trust, has executed this Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst  
-----  
Name: Joseph G. Ernst  
Title: Assistant Vice President

TRUST AGREEMENT

-----

This TRUST AGREEMENT, dated as of January 10, 1997, between Houston Lighting & Power Company, a Texas corporation, as "Depositor" and The Bank of New York (Delaware), a Delaware banking corporation, as "Trustee." The Depositor and the Trustee hereby agree as follows:

1. The Delaware business trust created hereby shall be known as HL&P Capital Trust I, in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of \$10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. (S) 3801 et seq. (the "Business Trust Act"), and

----- -- --

that this document constitutes the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form included as Exhibit 4.5-A or 4.5-B to the 1933 Act Registration Statement (as defined below), to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. If such amended and restated Trust Agreement has not been executed and delivered by the date which is 90 days after the date hereof, the Trust shall automatically terminate on such date.

4. The Depositor, as the sponsor of the Trust, is hereby authorized (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-3 (the "1933 Act Registration Statement"), including any pre-effective or post-effective amendments to such 1933 Act Registration Statement (including any prospectus, any prospectus supplement(s) and the exhibits contained therein), relating to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the Preferred Securities of the Trust and certain other securities and (b) if the Depositor shall deem it desirable, a Registration Statement on Form 8-A (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12 of the Securities Exchange Act of 1934, as amended; (ii) if the Depositor shall deem it desirable, to file with one or more national securities exchange (each, an

"Exchange") or the National Association of Securities Dealers, Inc. ("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 other papers and documents as the Depositor, on behalf of the Trust, may deem necessary or desirable to register the Preferred Securities under state securities or "Blue Sky" laws; (iv) to execute on behalf of the Trust such Underwriting Agreements with one or more underwriters relating to the offering of the Preferred Securities as the Depositor, on behalf of the Trust, may deem necessary or desirable. In the event that any filing referred to in clauses (i), (ii) or (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 a Trustee, the Depositor and any Trustee appointed pursuant to Section 6 hereof are hereby authorized to join in any such filing and to execute on behalf of the Trust any and all of the foregoing.

5. This Trust Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be 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 meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. The Depositor agrees:

(a) to pay to each Trustee from time to time such reasonable compensation for all services rendered by such Trustee hereunder as may be agreed by the Depositor and such Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse each Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of such Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Trustee, (ii) any Affiliate (as defined below) of any Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

The term "Affiliate" shall have the meaning ascribed to such term in Rule 405 promulgated under the Securities Act, in effect on the date hereof.

The provisions of this Section 7 shall survive the termination of the Trust or the earlier termination or removal of any Trustee.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

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

HOUSTON LIGHTING & POWER COMPANY,  
as Depositor

By: /s/ Linda Geiger

-----  
Name: Linda Geiger  
Title: Designated Agent

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst

-----  
Name: Joseph G. Ernst  
Title: Assistant Vice President

TRUST AGREEMENT  
-----

This TRUST AGREEMENT, dated as of January 10, 1997, between Houston Lighting & Power Company, a Texas corporation, as "Depositor" and The Bank of New York (Delaware), a Delaware banking corporation, as "Trustee." The Depositor and the Trustee hereby agree as follows:

1. The Delaware business trust created hereby shall be known as HL&P Capital Trust II, in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of \$10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. (S) 3801 et seq. (the "Business Trust Act"), and -----  
-----  
that this document constitutes the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form included as Exhibit 4.5-A or 4.5-B to the 1933 Act Registration Statement (as defined below), to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. If such amended and restated Trust Agreement has not been executed and delivered by the date which is 90 days after the date hereof, the Trust shall automatically terminate on such date.

4. The Depositor, as the sponsor of the Trust, is hereby authorized (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-3 (the "1933 Act Registration Statement"), including any pre-effective or post-effective amendments to such 1933 Act Registration Statement (including any prospectus, any prospectus supplement(s) and the exhibits contained therein), relating to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the Preferred Securities of the Trust and certain other securities and (b) if the Depositor shall deem it desirable, a Registration Statement on Form 8-A (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12 of the Securities Exchange Act of 1934, as amended; (ii) if the Depositor shall deem it desirable, to file with one or more national securities exchange (each, an

"Exchange") or the National Association of Securities Dealers, Inc. ("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 other papers and documents as the Depositor, on behalf of the Trust, may deem necessary or desirable to register the Preferred Securities under state securities or "Blue Sky" laws; (iv) to execute on behalf of the Trust such Underwriting Agreements with one or more underwriters relating to the offering of the Preferred Securities as the Depositor, on behalf of the Trust, may deem necessary or desirable. In the event that any filing referred to in clauses (i), (ii) or (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 a Trustee, the Depositor and any Trustee appointed pursuant to Section 6 hereof are hereby authorized to join in any such filing and to execute on behalf of the Trust any and all of the foregoing.

5. This Trust Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be 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 meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. The Depositor agrees:

(a) to pay to each Trustee from time to time such reasonable compensation for all services rendered by such Trustee hereunder as may be agreed by the Depositor and such Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse each Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of such Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Trustee, (ii) any Affiliate (as defined below) of any Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

The term "Affiliate" shall have the meaning ascribed to such term in Rule 405 promulgated under the Securities Act, in effect on the date hereof.

The provisions of this Section 7 shall survive the termination of the Trust or the earlier termination or removal of any Trustee.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

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

HOUSTON LIGHTING & POWER COMPANY,  
as Depositor

By: /s/ Linda Geiger  
-----  
Name: Linda Geiger  
Title: Designated Agent

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst  
-----  
Name: Joseph G. Ernst  
Title: Assistant Vice President

TRUST AGREEMENT  
-----

This TRUST AGREEMENT, dated as of January 10, 1997, between Houston Lighting & Power Company, a Texas corporation, as "Depositor" and The Bank of New York (Delaware), a Delaware banking corporation, as "Trustee." The Depositor and the Trustee hereby agree as follows:

1. The Delaware business trust created hereby shall be known as HL&P Capital Trust III, in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of \$10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. (S) 3801 et seq. (the "Business Trust Act"), and -----  
-----  
that this document constitutes the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form included as Exhibit 4.5-A or 4.5-B to the 1933 Act Registration Statement (as defined below), to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. If such amended and restated Trust Agreement has not been executed and delivered by the date which is 90 days after the date hereof, the Trust shall automatically terminate on such date.

4. The Depositor, as the sponsor of the Trust, is hereby authorized (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-3 (the "1933 Act Registration Statement"), including any pre-effective or post-effective amendments to such 1933 Act Registration Statement (including any prospectus, any prospectus supplement(s) and the exhibits contained therein), relating to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the Preferred Securities of the Trust and certain other securities and (b) if the Depositor shall deem it desirable, a Registration Statement on Form 8-A (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12 of the Securities Exchange Act of 1934, as amended; (ii) if the Depositor shall deem it desirable, to file with one or more national securities exchange (each, an



"Exchange") or the National Association of Securities Dealers, Inc. ("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 other papers and documents as the Depositor, on behalf of the Trust, may deem necessary or desirable to register the Preferred Securities under state securities or "Blue Sky" laws; (iv) to execute on behalf of the Trust such Underwriting Agreements with one or more underwriters relating to the offering of the Preferred Securities as the Depositor, on behalf of the Trust, may deem necessary or desirable. In the event that any filing referred to in clauses (i), (ii) or (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 a Trustee, the Depositor and any Trustee appointed pursuant to Section 6 hereof are hereby authorized to join in any such filing and to execute on behalf of the Trust any and all of the foregoing.

5. This Trust Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be 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 meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. The Depositor agrees:

(a) to pay to each Trustee from time to time such reasonable compensation for all services rendered by such Trustee hereunder as may be agreed by the Depositor and such Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse each Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of such Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Trustee, (ii) any Affiliate (as defined below) of any Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

The term "Affiliate" shall have the meaning ascribed to such term in Rule 405 promulgated under the Securities Act, in effect on the date hereof.

The provisions of this Section 7 shall survive the termination of the Trust or the earlier termination or removal of any Trustee.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

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

HOUSTON LIGHTING & POWER COMPANY,  
as Depositor

By: /s/ Linda Geiger

-----  
Name: Linda Geiger  
Title: Designated Agent

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst

-----  
Name: Joseph G. Ernst  
Title: Assistant Vice President

## TRUST AGREEMENT

-----

This TRUST AGREEMENT, dated as of January 10, 1997, between Houston Lighting & Power Company, a Texas corporation, as "Depositor" and The Bank of New York (Delaware), a Delaware banking corporation, as "Trustee." The Depositor and the Trustee hereby agree as follows:

1. The Delaware business trust created hereby shall be known as HL&P Capital Trust IV, in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of \$10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. (S)3801 et seq. (the "Business Trust Act"), and

----- -- ---

that this document constitutes the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form included as Exhibit 4.5-A or 4.5-B to the 1933 Act Registration Statement (as defined below), to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. If such amended and restated Trust Agreement has not been executed and delivered by the date which is 90 days after the date hereof, the Trust shall automatically terminate on such date.

4. The Depositor, as the sponsor of the Trust, is hereby authorized (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-3 (the "1933 Act Registration Statement"), including any pre-effective or post-effective amendments to such 1933 Act Registration Statement (including any prospectus, any prospectus supplement(s) and the exhibits contained therein), relating to the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the Preferred Securities of the Trust and certain other securities and (b) if the Depositor shall deem it desirable, a Registration Statement on Form 8-A (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12 of the Securities Exchange Act of 1934, as amended; (ii) if the Depositor shall deem it desirable, to file with one or more national securities exchange (each, an

"Exchange") or the National Association of Securities Dealers, Inc. ("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 other papers and documents as the Depositor, on behalf of the Trust, may deem necessary or desirable to register the Preferred Securities under state securities or "Blue Sky" laws; (iv) to execute on behalf of the Trust such Underwriting Agreements with one or more underwriters relating to the offering of the Preferred Securities as the Depositor, on behalf of the Trust, may deem necessary or desirable. In the event that any filing referred to in clauses (i), (ii) or (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 a Trustee, the Depositor and any Trustee appointed pursuant to Section 6 hereof are hereby authorized to join in any such filing and to execute on behalf of the Trust any and all of the foregoing.

5. This Trust Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be 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 meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. The Depositor agrees:

(a) to pay to each Trustee from time to time such reasonable compensation for all services rendered by such Trustee hereunder as may be agreed by the Depositor and such Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse each Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of such Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to such Trustee's negligence, bad faith or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Trustee, (ii) any Affiliate (as defined below) of any Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

The term "Affiliate" shall have the meaning ascribed to such term in Rule 405 promulgated under the Securities Act, in effect on the date hereof.

The provisions of this Section 7 shall survive the termination of the Trust or the earlier termination or removal of any Trustee.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

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

HOUSTON LIGHTING & POWER COMPANY,  
as Depositor

By: /s/ Linda Geiger

-----  
Name: Linda Geiger  
Title: Designated Agent

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: /s/ Joseph G. Ernst

-----  
Name: Joseph G. Ernst  
Title: Assistant Vice President

[Form Relating to Capital Securities]

=====

AMENDED AND RESTATED

TRUST AGREEMENT

among

HOUSTON LIGHTING & POWER COMPANY, as Depositor,

THE BANK OF NEW YORK,  
as Property Trustee,

THE BANK OF NEW YORK (DELAWARE),  
as Delaware Trustee,

and

THE ADMINISTRATIVE TRUSTEES NAMED HEREIN

Dated as of January \_\_, 1997

HL&P CAPITAL TRUST \_

=====

TABLE OF CONTENTS

ARTICLE I. Defined Terms..... 1  
SECTION 1.1. Definitions..... 1

ARTICLE II. Establishment of the Trust.....10  
SECTION 2.1. Name.....10  
SECTION 2.2. Office of the Delaware Trustee;  
Principal Place of Business; Agents for Service of Process...10  
SECTION 2.3. Initial Contribution of Trust Property;  
Organizational Expenses.....10  
SECTION 2.4. Issuance of the Preferred Securities.....11  
SECTION 2.5. Issuance of the Common Securities;  
Subscription and Purchase of Debentures.....11  
SECTION 2.6. Declaration of Trust.....11  
SECTION 2.7. Authorization to Enter into Certain Transactions.....12  
SECTION 2.8. Assets of Trust.....17  
SECTION 2.9. Title to Trust Property.....17

ARTICLE III. Payment Account.....18  
SECTION 3.1. Payment Account.....18

ARTICLE IV. Distributions; Redemption.....18  
SECTION 4.1. Distributions.....18  
SECTION 4.2. Redemption.....19  
SECTION 4.3. Subordination of Common Securities.....21  
SECTION 4.4. Payment Procedures.....22  
SECTION 4.5. Tax Returns and Reports.....22  
SECTION 4.6. Payment of Taxes, Duties, Etc. of the Trust.....22  
SECTION 4.7. Payments under Indenture or Pursuant to Direct Actions.....23

ARTICLE V. Trust Securities Certificates.....23  
SECTION 5.1. Initial Ownership.....23  
SECTION 5.2. The Trust Securities Certificates.....23  
SECTION 5.3. Execution and Delivery of Trust Securities Certificates.....23  
SECTION 5.4. Registration of Transfer and Exchange of  
Preferred Securities Certificates.....24  
SECTION 5.5. Mutilated, Destroyed, Lost or Stolen  
Trust Securities Certificates.....24  
SECTION 5.6. Persons Deemed Securityholders.....25  
SECTION 5.7. Access to List of Securityholders' Names and Addresses.....25  
SECTION 5.8. Maintenance of Office or Agency.....26  
SECTION 5.9. Appointment of Paying Agent.....26  
SECTION 5.10. Ownership of Common Securities by Depositor.....26

SECTION 5.11.	Book-Entry Preferred Securities Certificates; Common Securities Certificate.....	27
SECTION 5.12.	Notices to Clearing Agency.....	28
SECTION 5.13.	Definitive Preferred Securities Certificates.....	28
SECTION 5.14.	Rights of Securityholders.....	29
SECTION 5.15.	CUSIP Numbers.....	31
ARTICLE VI.	Acts of Securityholders; Meetings; Voting.....	31
SECTION 6.1.	Limitations on Voting Rights.....	31
SECTION 6.2.	Notice of Meetings.....	32
SECTION 6.3.	Meetings of Preferred Securityholders.....	32
SECTION 6.4.	Voting Rights.....	33
SECTION 6.5.	Proxies, Etc.....	33
SECTION 6.6.	Securityholder Action by Written Consent.....	33
SECTION 6.7.	Record Date for Voting and Other Purposes.....	33
SECTION 6.8.	Acts of Securityholders.....	34
SECTION 6.9.	Inspection of Records.....	35
ARTICLE VII.	Representations and Warranties.....	35
SECTION 7.1.	Representations and Warranties of the Property Trustee and the Delaware Trustee.....	35
SECTION 7.2.	Representations and Warranties of Depositor.....	36
ARTICLE VIII.	The Trustees.....	37
SECTION 8.1.	Certain Duties and Responsibilities.....	37
SECTION 8.2.	Certain Notices.....	39
SECTION 8.3.	Certain Rights of Property Trustee.....	40
SECTION 8.4.	Not Responsible for Recitals or Use of Proceeds.....	42
SECTION 8.5.	May Hold Securities.....	42
SECTION 8.6.	Compensation; Indemnity; Fees.....	42
SECTION 8.7.	Corporate Property Trustee Required; Eligibility of Trustees.....	43
SECTION 8.8.	Conflicting Interests.....	44
SECTION 8.9.	Co-Trustees and Separate Trustee.....	44
SECTION 8.10.	Resignation and Removal; Appointment of Successor.....	45
SECTION 8.11.	Acceptance of Appointment by Successor.....	47
SECTION 8.12.	Merger, Conversion, Consolidation or Succession to Business.....	47
SECTION 8.13.	Preferential Collection of Claims Against Depositor or Trust.....	48
SECTION 8.14.	Trustee May File Proofs of Claim.....	48
SECTION 8.15.	Reports by Property Trustee.....	49
SECTION 8.16.	Reports to the Property Trustee.....	49
SECTION 8.17.	Evidence of Compliance with Conditions Precedent.....	49
SECTION 8.18.	Number of Trustees.....	50
SECTION 8.19.	Delegation of Power.....	50



ARTICLE IX.	Termination, Liquidation and Merger.....	51
SECTION 9.1.	Termination Upon Expiration Date.....	51
SECTION 9.2.	Early Termination.....	51
SECTION 9.3.	Termination.....	51
SECTION 9.4.	Liquidation.....	51
SECTION 9.5.	Mergers, Consolidations, Amalgamations or Replacements of the Trust.....	53
ARTICLE X.	Miscellaneous Provisions.....	54
SECTION 10.1.	Limitation of Rights of Securityholders.....	54
SECTION 10.2.	Liability of Holder of Common Securities.....	54
SECTION 10.3.	Amendment.....	54
SECTION 10.4.	Separability.....	56
SECTION 10.5.	Governing Law.....	56
SECTION 10.6.	No Recourse.....	56
SECTION 10.7.	Payments Due on Non-Business Day.....	56
SECTION 10.8.	Successors.....	56
SECTION 10.9.	Headings.....	57
SECTION 10.10.	Reports, Notices and Demands.....	57
SECTION 10.11.	Agreement Not to Petition.....	57
SECTION 10.12.	Trust Indenture Act; Conflict with Trust Indenture Act.....	58
SECTION 10.13.	Acceptance of Terms of Trust Agreement, Guarantee and Indenture.....	58
EXHIBIT A	Certificate of Trust	
EXHIBIT B	Certificate Depository Agreement	
EXHIBIT C	Common Securities Certificate	
EXHIBIT D	Expense Agreement	
EXHIBIT E	Preferred Securities Certificate	

HL&P CAPITAL TRUST \_

Certain Sections of this Trust Agreement relating to  
Sections 310 through 318 of the  
Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
-----	-----
((S)) 310 (a)(1).....	8.7
(a)(2).....	8.7
(a)(3).....	8.9
(a)(4).....	2.7(a)(ii)
(b).....	8.8
((S)) 311 (a).....	8.13
(b).....	8.13
((S)) 312 (a).....	5.7
(b).....	5.7
(c).....	5.7
((S)) 313 (a).....	8.15(a)
(a)(8).....	8.15(b)
(b).....	8.15(b)
(c).....	10.10
(d).....	8.15(c)
((S)) 314 (a).....	8.16
(b).....	Not Applicable
(c)(1).....	8.17
(c)(2).....	8.17
(c)(3).....	Not Applicable
(d).....	Not Applicable
(e).....	1.1, 8.17
((S)) 315 (a).....	8.1(a), 8.3(a)
(b).....	8.2, 10.10
(c).....	8.1(d)
(d).....	8.1, 8.3
(e).....	Not Applicable
((S)) 316 (a).....	Not Applicable
(a)(1)(A).....	Not Applicable
(a)(1)(B).....	Not Applicable
(a)(2).....	Not Applicable
(b).....	5.14
(c).....	6.7
((S)) 317 (a)(1).....	Not Applicable
(a)(2).....	Not Applicable
(b).....	5.9
((S)) 318 (a).....	10.12
-----	

Note: This reconciliation and tie sheet shall not, for any purpose, be deemed to be a part of the Trust Agreement.

AMENDED AND RESTATED TRUST AGREEMENT, dated as of January \_\_, 1997, among (a) Houston Lighting & Power Company, a Texas corporation (including any successors or assigns, the "Depositor"), (b) The Bank of New York, a New York banking corporation, as property trustee (in each such capacity, the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Property Trustee, the "Bank"), (c) The Bank of New York (Delaware), a Delaware banking corporation, as Delaware trustee (the "Delaware Trustee"), (d) \_\_\_\_\_, an individual, and \_\_\_\_\_, an individual, each of whose address is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899 (each an "Administrative Trustee" and collectively the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees referred to collectively as the "Trustees") and (v) the several Holders, as hereinafter defined.

WITNESSETH

WHEREAS, the Depositor and the Delaware Trustee have heretofore duly declared and created a business trust pursuant to the Delaware Business Trust Act by entering into that certain Trust Agreement, dated as of January 10, 1997 (the "Original Trust Agreement"), and by the execution and filing by the Delaware Trustee with the Secretary of State of the State of Delaware of the Certificate of Trust, filed on January 10, 1997, attached as Exhibit A; and

WHEREAS, the Depositor and the Trustees desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (a) the issuance of the Common Securities by the Trust to the Depositor, (b) the issuance and sale of the Preferred Securities by the Trust pursuant to the Underwriting Agreement, (c) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Debentures and (d) the appointment of the Property Trustee and the Administrative Trustees;

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Securityholders, hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

ARTICLE I.

Defined Terms

SECTION 1.1. Definitions.

For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 6.8.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, the amount of Additional Interest (as defined in the Indenture) paid by the Depositor on Debentures having a principal amount equal to such Liquidation Amount for such period.

"Additional Sums" has the meaning specified in Section 10.6 of the Indenture.

"Administrative Trustee" means each of the Persons identified as an "Administrative Trustee" in the preamble to this Trust Agreement solely in such Person's capacity as Administrative Trustee of the Trust formed and continued hereunder and not in such Person's individual capacity, or such Administrative Trustee's successor in interest in such capacity, or any successor trustee appointed as herein provided.

"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.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(a) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any

substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(b) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of such Person or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by such Person in furtherance of any such action.

"Bankruptcy Laws" has the meaning specified in Section 10.11.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors, or such committee of the Board of Directors or officers of the Depositor to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustees.

"Book-Entry Preferred Securities Certificates" means a beneficial interest in the Preferred Securities Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 5.11.

"Business Day" means a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed, or (c) a day on which the Property Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"Certificate Depository Agreement" means the agreement among the Trust, the Property Trustee and The Depository Trust Company, as the initial Clearing Agency, dated as of the Closing Date, relating to the Trust Securities Certificates, substantially in the form attached as Exhibit B, as the same may be amended and supplemented from time to time.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository Trust Company will be the initial Clearing Agency.

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

"Closing Date" means the Time of Delivery, as defined in the Underwriting Agreement.

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

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities Certificate" means a certificate evidencing ownership of Common Securities, substantially in the form attached as Exhibit C.

"Common Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$1,000 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Corporate Trust Office" means, (a) when used with respect to the Property Trustee, the principal corporate trust office of the Property Trustee located at 101 Barclay Street, New York, New York 10286, and, (b) when used with respect to the Debenture Trustee, the principal corporate trust office of the Debenture Trustee located in New York, New York.

"Debenture Event of Default" means an "Event of Default" as defined in the Indenture.

"Debenture Redemption Date" means, with respect to any Debentures to be redeemed under the Indenture, the date fixed for redemption under the Indenture.

"Debenture Trustee" means The Bank of New York, a New York banking corporation, and any successor thereto.

"Debentures" means the aggregate principal amount of the Depositor's \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_, or any debentures or other indebtedness of the Depositor issued in exchange for such \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_, in either case as issued pursuant to the Indenture.

"Definitive Preferred Securities Certificates" means either or both (as the context requires) of (a) Preferred Securities Certificates issued as Book-Entry Preferred Securities Certificates as provided in Section 5.11(a), and (b) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.13.

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

"Delaware Trustee" means the Person identified as the "Delaware Trustee" in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Depositor" has the meaning specified in the preamble to this Trust Agreement.

"Direct Action" has the meaning specified in Section 5.14(c).

"Distribution Date" has the meaning specified in Section 4.1(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.1.

"Early Termination Event" has the meaning specified in Section 9.2.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of a Debenture Event of Default; or

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

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

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in the performance or breach of which is dealt with in clause (b) or (c) above) and continuation of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the defaulting Trustee or Trustees and to the Depositor by the Holders of at least 25% in aggregate Liquidation Amount of the Outstanding Preferred Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the occurrence of a Bankruptcy Event with respect to the Trust.

"Expense Agreement" means the Agreement as to Expenses and Liabilities between the Depositor and the Trust, substantially in the form attached as Exhibit D, as amended from time to time.

"Expiration Date" has the meaning specified in Section 9. 1.

"Guarantee" means the Guarantee Agreement, dated as of January \_\_, 1997, between the Depositor, as the holder of all the Common Securities, and The Bank of New York, a New York banking corporation, as guarantee trustee, for the benefit of the Holders of the Trust Securities, as amended from time to time.

"Holder" has the meaning specified in the definition of the term "Securityholder."

"Indenture" means the Junior Subordinated Indenture, dated as of January \_\_, 1997, between the Depositor and the Debenture Trustee, as trustee, as amended or supplemented from time to time.

"Legal Action" has the meaning specified in Section 2.7(a)(i)(D).

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (a) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount equal to the principal amount of Debentures to be contemporaneously redeemed in accordance with the Indenture the proceeds of which will be used to pay the Redemption Price of such Trust Securities, and (b) with respect to a distribution of Debentures to Holders of Trust Securities in connection with a dissolution and winding up of the Trust, Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Debentures are distributed.

"Liquidation Amount" means the stated amount of \$1,000 per Trust Security.

"Liquidation Date" means the date on which Debentures are to be distributed to Holders of Trust Securities in connection with a dissolution and winding up of the Trust pursuant to Section 9.4(a).

"Liquidation Distribution" has the meaning specified in Section 9.4(d).

"1940 Act" means the Investment Company Act of 1940, as amended.

"Officers' Certificate" means a certificate signed by the Chairman and Chief Executive Officer, President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 8.17 shall be the principal executive, financial or accounting officer of the Depositor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement 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 Depositor, which may be an employee of the Depositor 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 Trust Agreement" has the meaning specified in the recitals hereto.

"Outstanding," when used with respect to Trust Securities, means, as of the date of determination, all Trust Securities theretofore executed and delivered under this Trust Agreement, except:

(a) Trust Securities theretofore canceled by the Securities Registrar or delivered to the Securities Registrar for cancellation;

(b) Trust Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Trust Securities; provided that, if such Trust Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(c) Trust Securities which have been paid or in exchange for or in lieu of which other Preferred Securities have been executed and delivered pursuant to Sections 5.4, 5.5, 5.11 and 5.13;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Securities owned by the Depositor, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities that a Responsible Officer of such Trustee actually knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned

by the Depositor, one or more of the Trustees and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to act with respect to such Preferred Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of a Book-Entry Preferred Securities Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency (directly or indirectly, in accordance with the rules of such Clearing Agency).

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.9, and shall initially be the Bank.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee with the Bank in its Global Trust Services Office for the benefit of the Securityholders in which all amounts paid in respect of the Debentures will be held and from which the Property Trustee, through the Paying Agent, shall make payments to the Securityholders in accordance with Sections 4.1 and 4.2.

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

"Preferred Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$1,000 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Preferred Securities Certificate" means a certificate evidencing ownership of Preferred Securities, substantially in the form attached as Exhibit E.

"Property Trustee" means the Person identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust heretofore formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Debenture Redemption Date and the stated maturity of the Debentures shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any Trust Security, the Liquidation Amount of such Trust Security, plus accumulated and unpaid Distributions (including Additional Amounts, if applicable) to the Redemption Date, plus the

related amount of the premium, if any, paid by the Depositor upon the concurrent redemption of a Like Amount of Debentures, allocated on a pro rata basis (based on Liquidation Amounts) among the Trust Securities.

"Relevant Trustee" shall have the meaning specified in Section 8.10.

"Responsible Officer" means, with respect to a Trustee, any Vice President, any Assistant Vice President, any Assistant Secretary, the Treasurer, any Assistant Treasurer, or any other officer of the Corporate Trust Office of such Trustee, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 5.4.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Trust Securities is registered in the Securities Register; any such Person shall be deemed to be a beneficial owner within the meaning of the Delaware Business Trust Act; provided, however, that in determining whether the Holders of the requisite amount of Preferred Securities have voted on any matter provided for in this Trust Agreement, then for the purpose of any such determination, so long as Definitive Preferred Securities Certificates have not been issued, the term "Securityholders" or "Holders" as used herein shall refer to the Owners.

"Trust" means the Delaware business trust created and continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including (a) all exhibits hereto and (b) for all purposes of this Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Trust Agreement and any such modification, amendment or supplement, respectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (a) the Debentures, (b) the rights of the Property Trustee under the Expense Agreement, (c) any cash on deposit in, or owing to, the Payment Account and (d) all proceeds and rights in respect of the foregoing, and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to the terms of this Trust Agreement.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trustees" means the Persons identified as "Trustees" in the preamble to this Trust Agreement solely in their capacities as Trustees of the Trust formed and continued hereunder and not in their individual capacities, or their successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Underwriting Agreement" means the Underwriting Agreement, dated January \_\_, 1997, among the Trust, the Depositor and the underwriters named therein.

## ARTICLE II.

### Establishment of the Trust

#### SECTION 2.1. Name.

The Trust continued hereby shall be known as "HL&P Capital Trust \_\_," as such name may be modified from time to time by the Administrative Trustees following written notice to the Holders of Trust Securities and the other Trustees, in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Administrative Trustees may change the name of the Trust from time to time following written notice to the Holders.

#### SECTION 2.2. Office of the Delaware Trustee; Principal Place of Business; Agents for Service of Process.

The address of the Delaware Trustee in the State of Delaware is The Bank of New York (Delaware), White Clay Center, Route 273, Newark, Delaware, 19711, Attention: Corporate Trust Department, or such other address in the State of Delaware as the Delaware Trustee may designate by written notice to the Securityholders and the Depositor. The principal executive office of the Trust is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899. All agents for service of process for the Trust shall be located outside the State of Texas.

#### SECTION 2.3. Initial Contribution of Trust Property; Organizational Expenses.

The Property Trustee acknowledges receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of \$10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of any Trustee, promptly reimburse such Trustee for any such expenses paid by such Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

SECTION 2.4. Issuance of the Preferred Securities.

On January \_\_, 1997, the Depositor, on behalf of the Trust and pursuant to the Original Trust Agreement, executed and delivered the Underwriting Agreement. On the Closing Date, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 5.2 and deliver in accordance with Section 5.11 Preferred Securities Certificates, registered in the name of the nominee of the initial Clearing Agency, in an aggregate amount of \_\_\_\_\_ Preferred Securities having an aggregate Liquidation Amount of \$\_\_\_\_\_, against receipt of such aggregate purchase price of such Preferred Securities of \$\_\_\_\_\_, which amount the Administrative Trustee shall promptly deliver to the Property Trustee.

SECTION 2.5. Issuance of the Common Securities; Subscription and Purchase of Debentures.

On the Closing Date, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 5.2 and deliver to the Depositor Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of \_\_\_\_\_ Common Securities having an aggregate Liquidation Amount of \$\_\_\_\_\_ against payment by the Depositor of such amount, which amount such Administrative Trustee shall promptly deliver to the Property Trustee. Contemporaneously therewith, an Administrative Trustee, on behalf of the Trust, shall subscribe to and purchase from the Depositor Debentures, registered in the name of the Trust and having an aggregate principal amount equal to \$\_\_\_\_\_, and, in satisfaction of the purchase price for such Debentures, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor the sum of \$\_\_\_\_\_ (being the sum of the amounts delivered to the Property Trustee pursuant to (a) the second sentence of Section 2.4 and (b) the first sentence of this Section 2.5).

SECTION 2.6. Declaration of Trust.

The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures, and (b) to engage in those activities necessary, convenient or incidental thereto. The Depositor hereby appoints the Trustees as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein, and the Trustees hereby accept such appointment. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Trust and the Securityholders. The Administrative Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. 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 Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees of the Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act and for taking such actions as are required to be taken by a Delaware trustee under the Delaware Business Trust Act.

SECTION 2.7. Authorization to Enter into Certain Transactions.

(a) The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph (b) of this Section, Article VIII and in accordance with the following provisions (i) and (ii), the Trustees shall have the authority to enter into all transactions and agreements determined by the Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the following:

(i) As among the Trustees, the Administrative Trustees, acting singly or jointly, shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(A) to acquire the Debentures with the proceeds of the sale of the Trust Securities; provided, however, the Administrative 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 Trust and the Securityholders;

(B) to give the Depositor and the Property Trustee prompt written notice of the occurrence of any Special Event (as defined in the Indenture) and to take any ministerial actions in connection therewith; provided, that the Administrative Trustees shall consult with the Depositor and the Property Trustee before taking or refraining to take any ministerial action in relation to a Special Event;

(C) 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 the Securityholders as to such actions and applicable record dates;

(D) 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 2.7(a)(ii)(E), the Property Trustee has the power to bring such Legal Action;

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

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

(G) 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 Administrative Trustee;

(H) to take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of this Trust Agreement;

(I) to take all action that 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 Securityholders or to enable the Trust to effect the purposes for which the Trust has been created;

(J) to take all action 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 Administrative Trustees, on behalf of the Trust;

(K) to issue and sell the Trust Securities;

(L) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, the Expense Agreement and the Certificate Depository Agreement and such other agreements as may be necessary or desirable in connection with the purposes and function of the Trust;

(M) to assist in the registration of the Preferred Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(N) to assist in the listing, if any, of the Preferred Securities upon such securities exchange or exchanges or automated quotation system or systems as shall be determined by the Depositor and the registration of the Preferred Securities under the Securities Exchange Act of 1934, as amended, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(O) to send notices (other than notices of default) and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;

(P) to appoint a Paying Agent, authenticating agent and Securities Registrar in accordance with this Trust Agreement;

(Q) to register transfers of the Trust Securities in accordance with this Trust Agreement;

(R) in connection with the winding up of the affairs of and liquidation of the Trust, to prepare, execute and file the certificate of cancellation with the Secretary of State of the State of Delaware;

(S) to execute and deliver any closing certificates pursuant to the Underwriting Agreement and to make application for a taxpayer identification number for the Trust;

(T) unless otherwise determined by the Depositor, the Property Trustee or the Administrative Trustees, or as otherwise required by the Delaware Business Trust Act or the Trust Indenture Act, to execute on behalf of the Trust (either acting alone or together with any or all of the Administrative Trustees) any documents that the Administrative Trustees have the power to execute pursuant to this Trust Agreement; and

(U) to take any action incidental to the foregoing as the Trustees may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

(ii) As among the Trustees, the Property Trustee shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

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

(B) upon notice of distribution issued by the Administrative Trustees in accordance with the terms of this Trust Agreement, to engage in such ministerial activities as shall be necessary or appropriate to effect promptly the distribution pursuant to terms of this Trust Agreement of Debentures to Securityholders;

(C) subject to the terms hereof, exercise all of the rights, powers and privileges of a holder of the Debentures under the Indenture and, if a Debenture Event of Default occurs and is continuing, shall enforce for the benefit of, and subject to the rights of, the Securityholders, its rights as holder of the Debentures under the Indenture;

(D) take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of this Trust Agreement;



(E) take any Legal Action specifically required of the Property Trustee pursuant to the terms of this Trust Agreement which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Trust Agreement, the Delaware Business Trust Act or the Trust Indenture Act;

(F) the establishment and maintenance of the Payment Account;

(G) the receipt of and holding of legal title to the Debentures as described herein;

(H) the establishment of the Payment Account;

(I) the receipt of the Debentures;

(J) the collection of interest, principal and any other payments made in respect of the Debentures and the holding of such amounts in the Payment Account;

(K) the distribution through the Paying Agent of amounts owed to the Securityholders in respect of the Trust Securities;

(L) the exercise of all of the rights, powers and privileges of a holder of the Debentures;

(M) the sending of notices of default and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;

(N) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(O) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust and the preparation and execution of the certificate of cancellation with the Secretary of State of the State of Delaware;

(P) after an Event of Default (other than under paragraph (b), (c), (d) or (e) of the definition of such term if such Event of Default is by or with respect to the Property Trustee) the taking of any action incidental to the foregoing as the Property Trustee may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement and protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder); and

(P) except as otherwise provided in this Section 2.7(a)(ii), the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrative Trustees set forth in Section 2.7(a)(i).

(b) So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein, (iii) take any action that would cause the Trust to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money or issue any other debt, (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property, (vi) issue any securities other than the Trust Securities, (vii) have any power to, or agree to any action by the Depositor that would, vary the investment (within the meaning of Treasury Regulation Section 301.7701-4(c)) of the Trust or of the Securityholders or (viii) on or after the date hereof, enter into any contract or agreement for or on behalf of the Trust (other than the Certificate Depository Agreement or any other depository agreement or any agreement with any securities exchange or automated quotation system) that does not expressly provide that the Holders of the Preferred Securities, in their capacities as such, have limited liability (in accordance with the provisions of the Delaware Business Trust Act) for the liabilities and obligations of the Trust, which express provision may be in 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". The Administrative Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders. All actions taken by the Administrative Trustees will be taken outside the State of Texas.

(c) In connection with the issue and sale of the Preferred Securities, the Depositor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor or the Trust in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects without any further act, vote or approval of any Person notwithstanding any other provision of this Agreement, the Delaware Business Trust Act or other applicable law, rule or regulation):

(i) the preparation and filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on the appropriate form in relation to the Preferred Securities, the Debentures and the Guarantee, and certain other securities which could have been issued in lieu of the Preferred Securities, including any amendments thereto;

(ii) the determination of the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and the determination of any and all such acts, other than actions which must be taken by or on behalf of the Trust, and the advice to the Trustees of actions they must take on behalf of the Trust, and the preparation for execution and filing of any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such states;

(iii) if deemed desirable by the Depositor, the preparation for filing by the Trust and execution on behalf of the Trust of an application to the New York Stock Exchange or

any other national stock exchange or the Nasdaq National Market or any other automated quotation system for listing upon notice of issuance of any Preferred Securities and filing with such exchange or self-regulatory organization such notifications and documents as may be necessary from time to time to maintain such listing;

(iv) if required, the preparation for filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) or 12(g) of the Exchange Act, including any amendments thereto;

(v) the negotiation of the terms of, the execution and delivery of, and the performance of its obligations under, the Underwriting Agreement providing for the sale of the Preferred Securities; and

(vi) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrative Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act, or to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes and so that the Debentures will be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, the Depositor and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Trust Agreement, that each of the Depositor and any Administrative Trustee determines in its discretion to be necessary or desirable for such purposes, as long as such action does not adversely affect in any material respect the interests of the Holders of the Preferred Securities.

#### SECTION 2.8. Assets of Trust.

The assets of the Trust shall consist of the Trust Property.

#### SECTION 2.9. Title to Trust Property.

Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee in trust for the benefit of the Trust and the Securityholders in accordance with this Trust Agreement. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may thereafter be appointed as Property Trustee in accordance with the terms hereof. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

ARTICLE III.

Payment Account

SECTION 3.1. Payment Account.

(a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and any agent of the Property Trustee shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Securityholders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal of or interest (including any Additional Interest, as defined in the Indenture) or premium or Additional Sums on, and any other payments or proceeds with respect to, the Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV.

Distributions; Redemption

SECTION 4.1. Distributions.

(a) The Trust Securities represent undivided beneficial interests in the Trust Property, and Distributions (including any Additional Amounts) will be made on the Trust Securities at the rate and on the dates that payments of interest (including any Additional Interest, as defined in the Indenture) are made on the Debentures. Accordingly:

(i) Distributions on the Trust Securities shall be cumulative, and will accumulate whether or not there are funds of the Trust available for the payment of Distributions. Distributions shall accumulate from \_\_\_\_\_, 199\_, and, except in the event (and to the extent) that the Depositor exercises its right to defer the payment of interest on the Debentures pursuant to the Indenture, shall (assuming that payments of interest on the Debentures are made when due) be payable semiannually in arrears on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199\_. If any date on which a Distribution is otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall 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, payment of such Distribution

shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date (each date on which Distributions are payable in accordance with this Section 4.1(a), a "Distribution Date").

(ii) Assuming payments of interest on the Debentures are made when due (and before giving effect to Additional Amounts, if applicable), Distributions on the Trust Securities shall be payable at a rate of \_\_\_\_\_% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any full Distribution period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(iii) Distributions on the Trust Securities shall be made by the Property Trustee from the Payment Account and shall be payable on each Distribution Date only to the extent that the Trust has funds then on hand and available in the Payment Account for the payment of such Distributions.

(b) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on the Business Day immediately preceding such Distribution Date; provided, however, that in the event that the Preferred Securities do not remain in book-entry-only form, the relevant record date shall be the close of business on the [first] [fifteenth] day of the month [of] [immediately preceding] the relevant Distribution Date (whether or not such record date is a Business Day).

#### SECTION 4.2. Redemption.

(a) On each Debenture Redemption Date and on the stated maturity of the Debentures, the Trust will be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Security Register. All notices of redemption shall state:

- (i) the Redemption Date;
- (ii) the Redemption Price;
- (iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the aggregate Liquidation Amount of the particular Trust Securities to be redeemed;

(v) that on the Redemption Date the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accumulate on and after said date; and

(vi) if the Preferred Securities are no longer in book-entry-only form, the place and address where the Holders shall surrender their Preferred Securities Certificates.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Trust has funds then on hand and available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 12:00 noon, New York City time, on the Redemption Date, subject to Section 4.2(c), the Property Trustee will, so long as the Preferred Securities are in book-entry-only form, irrevocably deposit with the Clearing Agency for the Preferred Securities funds sufficient to pay the applicable Redemption Price, and an Administrative Trustee or the Property Trustee will give such Clearing Agency irrevocable instructions and authority to pay the Redemption Price to the Holders thereof. If the Preferred Securities are no longer in book-entry-only form, the Property Trustee, subject to Section 4.2(c), will irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the Holders thereof upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Securityholders holding Trust Securities so called for redemption will cease, except the right of such Securityholders to receive the Redemption Price and any Distribution payable on or prior to the Redemption Date, but without interest thereon, and such Trust Securities will cease to be outstanding. In the event that any date on which any Redemption Price is payable 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. In the event that payment of the Redemption Price in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee,

Distributions on such Trust Securities will continue to accumulate, at the then applicable rate, from the Redemption Date originally established by the Trust for such Trust Securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price.

(e) Payment of the Redemption Price on the Trust Securities shall be made to the recordholders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on the Business Day immediately preceding the relevant Redemption Date; provided, however, that in the event that the Preferred Securities do not remain in book-entry-only form, the relevant record date shall be the close of business on the date fifteen days prior to the relevant Redemption Date.

(f) Subject to Section 4.3(a), if less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated on a pro rata basis (based on Liquidation Amounts) among the Common Securities and the Preferred Securities. The particular Preferred Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Securities not previously called for redemption, by lot or by such other method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$1,000 or an integral multiple of \$1,000 in excess thereof) of the Liquidation Amount of Preferred Securities of a denomination larger than \$1,000. The Property Trustee shall promptly notify the Security Registrar in writing of the Preferred Securities selected for redemption and, in the case of any Preferred Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Securities shall relate, in the case of any Preferred Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Securities that has been or is to be redeemed.

#### SECTION 4.3. Subordination of Common Securities.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, the Trust Securities, as applicable, shall be made, among the Common Securities and the Preferred Securities based on the Liquidation Amount of the Trust Securities pursuant to Section 4.2(f); provided, however, that if on any Distribution Date or Redemption Date any Event of Default resulting from a Debenture Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all Distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price, the full amount of such Redemption Price on all Outstanding Preferred Securities then called for redemption, shall have been made or provided for,

and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or the Redemption Price of, Preferred Securities then due and payable.

(b) In the case of the occurrence of any Event of Default resulting from any Debenture Event of Default, the Holder of Common Securities will be deemed to have waived any right to act with respect to any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated. Until any such Event of Default under this Trust Agreement with respect to the Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Securities and not the Holder of the Common Securities, and only the Holders of the Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

#### SECTION 4.4. Payment Procedures.

Payments of Distributions (including Additional Amounts, if applicable) in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency in immediately available funds, which shall credit the relevant Persons' accounts at such Clearing Agency on the applicable Distribution Dates. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Common Securityholder.

#### SECTION 4.5. Tax Returns and Reports.

The Administrative Trustees shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. In this regard, the Administrative Trustees shall (a) prepare and file (or cause to be prepared and filed) the appropriate Internal Revenue Service form required to be filed in respect of the Trust in each taxable year of the Trust and (b) prepare and furnish (or cause to be prepared and furnished) to each Securityholder the appropriate Internal Revenue Service form and the information required to be provided on such form. The Administrative Trustees shall provide the Depositor and the Property Trustee with a copy of all such returns and reports promptly after such filing or furnishing. The Trustees shall comply with United States federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Securityholders under the Trust Securities.

#### SECTION 4.6. Payment of Taxes, Duties, Etc. of the Trust.

Upon receipt under the Debentures of Additional Sums, the Property Trustee shall promptly pay any taxes, duties or governmental charges of whatsoever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority; provided, however, that



under no circumstances shall the Property Trustee have any liability for such sums, including non-receipt of any Additional Sums under the Debentures.

SECTION 4.7. Payments under Indenture or Pursuant to Direct Actions.

Any amount payable hereunder to any Holder of Preferred Securities (and any Owner with respect thereto) shall be reduced by the amount of any corresponding payment such Holder (and Owner) has directly received pursuant to Section 5.8 of the Indenture or Section 5.14 of this Trust Agreement.

ARTICLE V.

Trust Securities Certificates

SECTION 5.1. Initial Ownership.

Upon the formation of the Trust and the contribution by the Depositor pursuant to Section 2.3 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

SECTION 5.2. The Trust Securities Certificates.

The Preferred Securities Certificates shall be issued in minimum denominations of \$1,000 Liquidation Amount and integral multiples of \$1,000 in excess thereof, and the Common Securities Certificates shall be issued in denominations of \$1,000 Liquidation Amount and integral multiples thereof. The Trust Securities Certificates shall be executed on behalf of the Trust by manual signature of at least one Administrative Trustee. Trust Securities Certificates bearing the manual signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Sections 5.4, 5.11 and 5.13.

SECTION 5.3. Execution and Delivery of Trust Securities Certificates.

On the Closing Date, the Administrative Trustees shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.4 and 2.5, to be executed on behalf of the Trust and delivered to or upon the written order of the Depositor, signed by its chairman of the board and chief executive officer, its president, any executive vice president, any senior vice

president or any vice president, treasurer or assistant treasurer or controller without further corporate action by the Depositor, in authorized denominations.

SECTION 5.4. Registration of Transfer and Exchange of Preferred Securities Certificates.

The Depositor shall keep or cause to be kept, at the office or agency maintained pursuant to Section 5.8, a register or registers for the purpose of registering Trust Securities Certificates and transfers and exchanges of Preferred Securities Certificates (the "Securities Register") in which the registrar designated by the Depositor (the "Securities Registrar"), subject to such reasonable regulations as it may prescribe, shall provide for the registration of Preferred Securities Certificates and Common Securities Certificates (subject to Section 5.10 in the case of the Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. The Bank shall be the initial Securities Registrar.

Upon surrender for registration of transfer of any Preferred Securities Certificate at the office or agency maintained pursuant to Section 5.8, the Administrative Trustees or any one of them shall execute and deliver, in the name of the designated transferee or transferees, one or more new Preferred Securities Certificates in authorized denominations of a like aggregate Liquidation Amount dated the date of execution by such Administrative Trustee or Trustees.

The Securities Registrar shall not be required to register the transfer of any Preferred Securities that have been called for redemption. The Administrative Trustee shall not be required to issue, transfer or exchange any Preferred Securities that have been called for redemption. At the option of a Holder, Preferred Securities Certificates may be exchanged for other Preferred Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 5.8.

Every Preferred Securities Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to an Administrative Trustee and the Securities Registrar duly executed by the Holder or his attorney duly authorized in writing. Each Preferred Securities Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by an Administrative Trustee in accordance with such Person's customary practice.

No service charge shall be made for any registration of transfer or exchange of Preferred Securities Certificates, but the Securities Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities Certificates.

SECTION 5.5. Mutilated, Destroyed, Lost or Stolen Trust Securities Certificates.

If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction,

loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees, or any one of them, on behalf of the Trust, shall execute and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrative Trustees or the Securities Registrar 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 Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an undivided beneficial interest in the assets of the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

#### SECTION 5.6. Persons Deemed Securityholders.

The Trustees and the Securities Registrar shall treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions and for all other purposes whatsoever, and neither the Trustees nor the Securities Registrar shall be bound by any notice to the contrary.

#### SECTION 5.7. Access to List of Securityholders' Names and Addresses.

The Administrative Trustees or the Depositor shall furnish or cause to be furnished (a) to the Property Trustee, semiannually, not more than 15 days after \_\_\_\_\_ and \_\_\_\_\_ in each year, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Securityholders as of such \_\_\_\_\_ and \_\_\_\_\_ and (b) to the Property Trustee, promptly after receipt by any Administrative Trustee or the Depositor of a request therefor from the Property Trustee in order to enable the Property Trustee, to discharge its obligations under this Trust Agreement, in each case to the extent such information is in the possession or control of the Administrative Trustees or the Depositor and is not identical to a previously supplied list or has not otherwise been received by the Property Trustee in its capacity as Securities Registrar. The rights of Securityholders to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities, and the corresponding rights of the Trustee, shall be as provided in the Trust Indenture Act. Each Holder, by receiving and holding a Trust Securities Certificate, and each Owner shall be deemed to have agreed not to hold the Depositor, the Property Trustee, the Delaware Trustee or the Administrative Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

SECTION 5.8. Maintenance of Office or Agency.

The Administrative Trustees shall maintain an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustees in respect of the Trust Securities Certificates may be served. The Administrative Trustees initially designate The Bank of New York, 101 Barclay Street, Floor 21 West, New York, New York 10286, Attn.: Corporate Trust Trustee Administration, as its principal corporate trust office for such purposes. The Administrative Trustees shall give prompt written notice to the Depositor, the Bank and the Securityholders of any change in the location of the Securities Register or any such office or agency.

SECTION 5.9. Appointment of Paying Agent.

The Paying Agent shall make Distributions to Securityholders from the Payment Account and shall report the amounts of such Distributions to the Property Trustee and the Administrative Trustees. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account solely for the purpose of making the Distributions referred to above. The Administrative Trustees may revoke such power and remove the Paying Agent if such Trustees determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Trust Agreement in any material respect. The Paying Agent shall initially be the Bank, and any co-paying agent chosen by the Bank, and acceptable to the Administrative Trustees and the Depositor. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees, the Property Trustee and the Depositor. In the event that the Bank shall no longer be the Paying Agent or a successor Paying Agent shall resign or its authority to act be revoked, the Administrative Trustees shall appoint a successor that is acceptable to the Property Trustee and the Depositor to act as Paying Agent (which shall be a bank or trust company). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.1, 8.3 and 8.6 herein shall apply to the Bank also in its role as Paying Agent, for so long as the Bank shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

SECTION 5.10. Ownership of Common Securities by Depositor.

On the Closing Date, the Depositor shall acquire and retain beneficial and record ownership of the Common Securities. The Holder of the Common Securities may not transfer the Common Securities except (a) in connection with a consolidation or merger of the Depositor into any other Person, or any

conveyance, transfer or lease by the Depositor of its properties and assets substantially as an entirety to any Person, pursuant to Section 8.1 of the Indenture, or (b) to the Depositor or an Affiliate thereof in compliance with applicable law (including the Securities Act of 1933, as amended, and applicable state securities and blue sky laws), and in either case only upon an effective assignment and delegation by the Holder of the Common Securities to its transferee of all of its rights and obligations under the Expense Agreement. To the fullest extent permitted by law, any attempted transfer of the Common Securities other than as set forth in the next preceding sentence shall be void. The Administrative Trustees shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating substantially "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO THE DEPOSITOR OR AN AFFILIATE OF THE DEPOSITOR IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.10 OF THE TRUST AGREEMENT AND ONLY IN CONNECTION WITH A SIMULTANEOUS DELEGATION AND ASSIGNMENT OF THE EXPENSE AGREEMENT REFERRED TO THEREIN."

SECTION 5.11. Book-Entry Preferred Securities Certificates; Common Securities Certificate.

(a) The Preferred Securities Certificates, upon original issuance, will be issued in the form of a typewritten Preferred Securities Certificate or Certificates representing Book-Entry Preferred Securities Certificates, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Trust. Such Preferred Securities Certificate or Certificates shall initially be registered on the Securities Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Owner will receive a Definitive Preferred Securities Certificate representing such Owner's interest in such Preferred Securities, except as provided in Section 5.13. Unless and until Definitive Preferred Securities Certificates have been issued to Owners pursuant to Section 5.13:

(i) the provisions of this Section 5.11(a) shall be in full force and effect;

(ii) the Securities Registrar and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Trust Agreement relating to the Book-Entry Preferred Securities Certificates (including the payment of the Liquidation Amount of and Distributions on the Preferred Securities evidenced by Book-Entry Preferred Securities Certificates and the giving of instructions or directions to Owners of Preferred Securities evidenced by Book-Entry Preferred Securities Certificates) as the sole Holder of Preferred Securities evidenced by Book-Entry Preferred Securities Certificates and shall have no obligations to the Owners thereof;

(iii) to the extent that the provisions of this Section 5.11 conflict with any other provisions of this Trust Agreement, the provisions of this Section 5.11 shall control; and

(iv) the rights of the Owners of the Book-Entry Preferred Securities Certificates shall be exercised only through the Clearing Agency and shall be limited to those established

by law and agreements between such Owners and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Certificate Depository Agreement, unless and until Definitive Preferred Securities Certificates are issued pursuant to Section 5.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments on the Preferred Securities to such Clearing Agency Participants.

(b) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

#### SECTION 5.12. Notices to Clearing Agency.

To the extent that a notice or other communication to the Owners is required under this Trust Agreement, unless and until Definitive Preferred Securities Certificates shall have been issued to Owners pursuant to Section 5.13, the Trustees shall give all such notices and communications specified herein to be given to Owners to the Clearing Agency, and shall have no obligations to the Owners.

#### SECTION 5.13. Definitive Preferred Securities Certificates.

If (a) the Depositor advises the Trustees in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Preferred Securities Certificates, and the Depositor is unable to locate a qualified successor, (b) the Depositor at its option advises the Trustees in writing that it elects to terminate the book-entry system through the Clearing Agency or (c) after the occurrence of a Debenture Event of Default, Owners of Preferred Securities Certificates representing beneficial interests aggregating at least a majority of the Liquidation Amount advise the Administrative Trustees in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interest of the Owners of Preferred Securities Certificates, then the Administrative Trustees shall notify the Clearing Agency and the other Trustees and the Clearing Agency shall notify all Owners of Preferred Securities Certificates of the occurrence of any such event and of the availability of the Definitive Preferred Securities Certificates to Owners of such class or classes, as applicable, requesting the same. Upon surrender to the Administrative Trustees of the typewritten Preferred Securities Certificate or Certificates representing the Book-Entry Preferred Securities Certificates by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees, or any one of them, shall execute the Definitive Preferred Securities Certificates in accordance with the instructions of the Clearing Agency. Neither the Securities Registrar nor the Trustees shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions. Upon the issuance of Definitive Preferred Securities Certificates, the Trustees shall recognize the Holders of the Definitive Preferred Securities Certificates as Securityholders. The Definitive Preferred Securities Certificates shall be typewritten, printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees that meets the requirements of any stock exchange or automated quotation system on which the

Preferred Securities are then listed or approved for trading, as evidenced by the execution thereof by the Administrative Trustees or any one of them.

SECTION 5.14. Rights of Securityholders.

(a) The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.9, and the Securityholders shall not have any right or title therein other than the undivided beneficial interest in the assets of the Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property, giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or similar rights and, when issued and delivered to Securityholders against payment of the purchase price therefor, will be fully paid and nonassessable by the Trust. The Holders of the Trust 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.

(b) For so long as any Preferred Securities remain Outstanding, if, upon a Debenture Event of Default, the Debenture Trustee fails or the holders of not less than 25% in principal amount of the outstanding Debentures fail to declare the principal of all of the Debentures to be immediately due and payable as set forth in the Indenture, the Holders of at least 25% in Liquidation Amount of the Preferred Securities then Outstanding shall have the right to make such declaration by a notice in writing to the Depositor and the Debenture Trustee; and upon any such declaration such principal amount of and the accrued interest on all of the Debentures shall become immediately due and payable, provided that the payment of principal, premium and interest on such Debentures shall remain subordinated to the extent provided in the Indenture.

At any time after a declaration of acceleration with respect to the Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Debenture Trustee as in the Indenture provided, if the Property Trustee fails to annul any such declaration and waive such default, the Holders of a majority in Liquidation Amount of the Preferred Securities, by written notice to the Property Trustee, the Depositor and the Debenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Depositor has paid or deposited with the Debenture Trustee a sum sufficient to pay

(A) all overdue installments of interest (including any Additional Interest (as defined in the Indenture)) on all of the Debentures,

(B) the principal of (and premium, if any, on) any Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Debentures, and

(C) all sums paid or advanced by the Debenture Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Debenture Trustee and the Property Trustee, their agents and counsel; and

(ii) all Events of Default with respect to the Debentures, other than the nonpayment of the principal of the Debentures which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13 of the Indenture.

The holders of a majority in aggregate Liquidation Amount of the Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default under the Indenture, except a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Debenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Property Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, by Holders of the Preferred Securities all or part of which is represented by Book-Entry Preferred Securities Certificates, a record date shall be established for determining Holders of Outstanding Preferred Securities entitled to join in such notice, which record date shall be at the close of business on the day the Property Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that, unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 5.14(b).

(c) For so long as any Preferred Securities remain Outstanding, to the fullest extent permitted by law and subject to the terms of this Trust Agreement and the Indenture, upon a Debenture Event of Default specified in Section 5.1(1) or 5.1(2) of the Indenture, any Holder of Preferred Securities shall have the right to institute a proceeding directly against the Depositor, pursuant to Section 5.8 of the Indenture, for enforcement of payment to such Holder of any amounts payable in respect of Debentures having an aggregate principal amount equal to the aggregate Liquidation Amount of the Preferred Securities of such Holder (a "Direct Action"). Except as set forth in Section 5.14(b) and this Section 5.14(c), the Holders of Preferred Securities shall have no



right to exercise directly any right or remedy available to the holders of, or in respect of, the Debentures.

(d) Except as otherwise provided in paragraphs (a), (b) and (c) of this Section 5.14, the Holders of at least a majority in aggregate Liquidation Amount of the Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default or Event of Default and its consequences. Upon such waiver, any such default or Event of Default shall cease to exist, and any default or Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

#### SECTION 5.15. CUSIP Numbers.

The Trust in issuing the Preferred Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Property Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Preferred Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Preferred Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Depositor shall promptly notify the Property Trustee in writing of any change in CUSIP numbers.

### ARTICLE VI.

#### Acts of Securityholders; Meetings; Voting

##### SECTION 6.1. Limitations on Voting Rights.

(a) Except as expressly provided in this Trust Agreement and in the Indenture and as otherwise required by law, no Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association.

(b) So long as any Debentures are held by the Property Trustee, on behalf of the Trust, the Property Trustee shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or execute any trust or power conferred on the Property Trustee with respect to the Debentures, (ii) waive any past default that may be waived under Section 5.13 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least a majority in Liquidation Amount of all Outstanding Preferred Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior written consent of each Holder of Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities, except by a subsequent vote of the Holders of Preferred Securities. The Property Trustee shall notify all Holders of the Preferred Securities of any notice of default received from the Debenture Trustee with respect to the Debentures. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that such action shall not cause the Trust to be

classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

(c) If any proposed amendment to the Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect in any material respect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution and winding-up of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least a majority in Liquidation Amount of the Outstanding Preferred Securities. Notwithstanding any other provision of this Trust Agreement, no amendment to this Trust Agreement may be made if, as a result of such amendment, it would cause the Trust to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

#### SECTION 6.2. Notice of Meetings.

Notice of all meetings of the Preferred Securityholders, stating the time, place and purpose of the meeting, shall be given by the Property Trustee pursuant to Section 10.10 to each Preferred Securityholder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

#### SECTION 6.3. Meetings of Preferred Securityholders.

No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Preferred Securityholders to vote on any matter upon the written request of the Preferred Securityholders of record of at least 25% of the Outstanding Preferred Securities (based upon their Liquidation Amount) and the Administrative Trustees or the Property Trustee may, at any time in their discretion, call a meeting of Preferred Securityholders to vote on any matters as to which Preferred Securityholders are entitled to vote.

Preferred Securityholders of record of 50% of the Outstanding Preferred Securities (based upon their Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

If a quorum is present at a meeting, an affirmative vote by the Preferred Securityholders of record present, in person or by proxy, holding more than a majority of the Preferred Securities (based upon their Liquidation Amount) held by the Preferred Securities of record present, either in person or by proxy, at such meeting shall constitute the action of the Preferred Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

SECTION 6.4. Voting Rights.

Securityholders shall be entitled to one vote for each \$1,000 of Liquidation Amount represented by their Trust Securities in respect of any matter as to which such Securityholders are entitled to vote.

SECTION 6.5. Proxies, Etc.

At any meeting of Securityholders, any Securityholder entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Securityholders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

SECTION 6.6. Securityholder Action by Written Consent.

Any action which may be taken by Securityholders at a meeting may be taken without a meeting if Securityholders holding more than a majority of all Outstanding Trust Securities (based upon their Liquidation Amount) entitled to vote in respect of such action (or such larger proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing.

SECTION 6.7. Record Date for Voting and Other Purposes.

For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of a Distribution or other action, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

SECTION 6.8. Acts of Securityholders.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders or Owners may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders or Owners in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to an Administrative Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders or Owners signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.1) conclusive in favor of the Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Trustee receiving the same deems sufficient.

The ownership of Trust Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents, each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise between the Securityholders and the Administrative Trustees or among such Securityholders or Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Securityholder or Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

A Securityholder may institute a legal proceeding directly against the Depositor under the Guarantee to enforce its rights under the Guarantee without first instituting a legal proceeding against the Trust or any person or entity.

#### SECTION 6.9. Inspection of Records.

Upon reasonable notice to the Administrative Trustees and the Property Trustee, the records of the Trust shall be open to inspection by Securityholders during normal business hours for any purpose reasonably related to such Securityholder's interest as a Securityholder.

### ARTICLE VII.

#### Representations and Warranties

SECTION 7.1. Representations and Warranties of the Property Trustee and the Delaware Trustee.

The Property Trustee and the Delaware Trustee, each severally on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Property Trustee is a New York banking corporation and is in good standing under the laws of the State of New York;

(b) the Property Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) the Delaware Trustee is a banking corporation duly organized, validly existing and in good standing in the State of Delaware;

(d) the Delaware Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(e) this Trust Agreement has been duly authorized, executed and delivered by the Property Trustee and the Delaware Trustee and constitutes the valid and legally binding agreement of each of the Property Trustee and the Delaware Trustee enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(f) the execution, delivery and performance of this Trust Agreement has been duly authorized by all necessary corporate or other action on the part of the Property Trustee and the

Delaware Trustee and does not require any approval of stockholders of the Property Trustee and the Delaware Trustee and such execution, delivery and performance will not (i) violate the charter or by-laws of the Property Trustee or the Delaware Trustee, (ii) violate any provision of, or constitute, with or without notice or lapse of time, a default under, or result in the creation or imposition of, any Lien on any properties included in the Trust Property pursuant to the provisions of, any indenture, mortgage, credit agreement, license or other agreement or instrument to which the Property Trustee or the Delaware Trustee is a party or by which it is bound or (iii) violate any law, governmental rule or regulation of the United States or the State of Delaware, as the case may be, governing the banking or trust powers of the Property Trustee or the Delaware Trustee (as appropriate in context) or any order, judgment or decree applicable to the Property Trustee or the Delaware Trustee;

(g) neither the authorization, execution or delivery by the Property Trustee or the Delaware Trustee of this Trust Agreement nor the consummation of any of the transactions by the Property Trustee or the Delaware Trustee (as appropriate in context) contemplated herein requires the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal law governing the banking or trust powers of the Property Trustee or the Delaware Trustee, as the case may be, under the laws of the United States or the State of Delaware; and

(h) there are no proceedings pending or, to the best of each of the Property Trustee's and the Delaware Trustee's knowledge, threatened against or affecting the Property Trustee or the Delaware Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, individually or in the aggregate, would materially and adversely affect the Trust or would question the right, power and authority of the Property Trustee or the Delaware Trustee, as the case may be, to enter into or perform its obligations as one of the Trustees under this Trust Agreement.

#### SECTION 7.2. Representations and Warranties of Depositor.

The Depositor hereby represents and warrants for the benefit of the Securityholders that:

(a) the Trust Securities Certificates issued on the Closing Date on behalf of the Trust have been duly authorized and will have been duly and validly executed, issued and delivered by the Trustees pursuant to the terms and provisions of, and in accordance with the requirements of, this Trust Agreement, and the Securityholders will be, as of each such date, entitled to the benefits of this Trust Agreement; and

(b) there are no taxes, fees or other governmental charges payable by the Trust (or the Trustees on behalf of the Trust) under the laws of the State of Delaware or any political subdivision thereof in connection with the execution, delivery and performance by the Property Trustee or the Delaware Trustee, as the case may be, of this Trust Agreement.

ARTICLE VIII.

The Trustees

SECTION 8.1. Certain Duties and Responsibilities.

(a) The duties and responsibilities of the Trustees shall be as provided by this Trust Agreement and, in the case of the Property Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, but subject to Section 8.1(c), no provision of this Trust Agreement shall require any of the Trustees to expend or risk its or their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of its or their rights or powers, if it or they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section 8.1. Nothing in this Trust Agreement shall be construed to release an Administrative Trustee from liability for his or her own negligent action, his or her own negligent failure to act, or his or her own willful misconduct. To the extent that, at law or in equity, an Administrative Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to the Securityholders, such Administrative Trustee shall not be liable to the Trust or to any Securityholder for such Trustee's good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of the Administrative Trustees otherwise existing at law or in equity, are agreed by the Depositor and the Securityholders to replace such other duties and liabilities of the Administrative Trustees.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Property Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it will look solely to the revenue and proceeds from the Trust Property to the extent legally available for distribution to it as herein provided and that the Trustees, their officers, directors, shareholders and agents are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.1(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) If an Event of Default has occurred and is continuing, the Property Trustee shall enforce this Trust Agreement for the benefit of the Holders.

(d) The Property Trustee, before the occurrence of any 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 Trust Agreement (including pursuant to Section 10.11), and no

implied covenants shall be read into this Trust Agreement against the Property Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to Section 5.14), the Property Trustee shall exercise such of the rights and powers vested in it by this Trust 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.

(e) No provision of this Trust Agreement shall be construed to relieve the Property Trustee or the Delaware 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 any 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 Trust Agreement (including pursuant to Section 10.11), and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement (including pursuant to Section 10.11); 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 Trust Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act 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 Trust Agreement.

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by an authorized 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 Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Trust Agreement;

(iv) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Payment Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own



account, subject to the protections and limitations on liability afforded to the Property Trustee under this Trust Agreement and the Trust Indenture Act;

(v) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Depositor; and money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account maintained by the Property Trustee pursuant to Section 3.1 and except to the extent otherwise required by law;

(vi) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the default or misconduct of the Administrative Trustees or the Depositor; and

(vii) Subject to Section 8.1(c), no provision of this Trust Agreement 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 the Property Trustee 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 Trust Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Administrative Trustees shall not be responsible for monitoring the compliance by the other Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall any Administrative Trustee be liable for the default or misconduct of any other Administrative Trustee, the other Trustees or the Depositor.

#### SECTION 8.2. Certain Notices.

Within ten Business Days after the occurrence of any Event of Default actually known to a Responsible Officer of the Property Trustee, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.10, notice of such Event of Default to the Securityholders, the Administrative Trustees and the Depositor, unless such Event of Default shall have been cured or waived.

Within five Business Days after the receipt of notice of the Depositor's exercise of its right to defer the payment of interest on the Debentures pursuant to the Indenture, the Administrative Trustee shall transmit, in the manner and to the extent provided in Section 10.10, notice of such exercise to the Securityholders and the Property Trustee, unless such exercise shall have been revoked.

SECTION 8.3. Certain Rights of Property Trustee.

Subject to the provisions of Section 8.1:

(a) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness 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) if (i) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action, (ii) in construing any of the provisions of this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (iii) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken and the Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within ten Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than two Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(c) any direction or act of the Depositor or the Administrative Trustees contemplated by this Trust Agreement shall be sufficiently evidenced by an Officers' Certificate;

(d) whenever in the administration of this Trust Agreement, the Property Trustee shall deem it desirable that a matter be established before undertaking, 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, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Depositor or the Administrative Trustees;

(e) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or reregistration thereof;

(f) the Property Trustee may consult with counsel of its selection (which counsel may be counsel to the Depositor or any of its Affiliates, and may include any of its employees) and the advice of such counsel 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; the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction;

(g) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Securityholders, pursuant to this Trust Agreement, unless such Securityholders shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; provided that, nothing contained in this Section 8.3(g) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Agreement;

(h) the Property 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, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Securityholders, but the Property Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(i) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys; provided, that the Property Trustee shall be responsible for its own negligence or misconduct with respect to the selection of any agent or attorney appointed by it hereunder;

(j) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders (which instructions may only be given by the Holders of the same proportion in Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action), (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (iii) shall be protected in acting in accordance with such instructions; and

(k) except as otherwise expressly provided by this Trust Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Trust Agreement.

(l) the Property Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement; and

(m) the Property Trustee shall not be deemed to have notice of any Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Preferred Securities and this Trust Agreement.

No provision of this Trust Agreement shall be deemed to impose any duty or obligation on any Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which such Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or

to exercise any such right, power, duty or obligation. No permissive power or authority available to any Trustee shall be construed to be a duty.

SECTION 8.4. Not Responsible for Recitals or Use of Proceeds.

The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees shall not be accountable for the use or application by the Depositor of the proceeds of the Debentures.

SECTION 8.5. May Hold Securities.

Any Trustee or any other agent of any Trustee or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, subject to Sections 8.8 and 8.13, and, except as provided in the definition of the term "Outstanding" in Article I, may otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such other agent.

SECTION 8.6. Compensation; Indemnity; Fees.

(a) The Depositor agrees:

(1) to pay to the Property Trustee and the Delaware Trustee from time to time such reasonable compensation for all services rendered by them hereunder as may be agreed by the Depositor and such Trustees from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Property Trustee and the Delaware Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of their agents and counsel), except any such expense, disbursement or advance as may be attributable to their negligence, bad faith or willful misconduct; and

(3) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) the Property Trustee and the Delaware Trustee, (ii) any Affiliate of any such Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any such Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any and all loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

(b) The Trust shall:

(1) pay to the Administrative Trustees from time to time compensation for all services rendered by them hereunder as may be agreed by the Depositor and the Administrative Trustees from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, reimburse the Administrative Trustees upon request for all expenses, disbursements and advances incurred or made by such Trustees (including compensation and the expenses and disbursements of their agents and counsel); and

(3) to the fullest extent permitted by applicable law, indemnify and hold harmless (i) each Administrative Trustee, (ii) any Affiliate of each such Trustee and (iii) any officer, director, shareholder, employee, representative or agent of each such Trustee to the same extent as the Depositor has agreed to indemnify an Indemnified Person pursuant to Section 8.6(a)(3) above.

(c) The provisions of this Section 8.6 shall survive the termination of this Trust Agreement or the earlier termination or removal of any Trustee.

No Trustee may claim any Lien on any Trust Property as a result of any amount due pursuant to this Section 8.6.

When any Trustee incurs expenses or renders services after an Event of Default specified in clause (e) of the definition of Event of Default occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

The Depositor and any Trustee 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 Trust Securities shall have no rights by virtue of this Trust Agreement 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 Depositor, 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 Depositor 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 Depositor or any Affiliate of the Depositor, 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 Depositor or its Affiliates.

#### SECTION 8.7. Corporate Property Trustee Required; Eligibility of Trustees.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and that has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such Person 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 Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind that entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity with its principal place of business in the State

of Delaware and that otherwise meets the requirements of applicable Delaware law and that shall act through one or more persons authorized to bind such entity.

#### SECTION 8.8. Conflicting Interests.

(a) If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement.

(b) The Guarantee and the Indenture shall be deemed to be specifically described in this Trust Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

#### SECTION 8.9. Co-Trustees and Separate Trustee.

Unless an Event of Default shall have occurred and be continuing, at any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Depositor and the Administrative Trustees, by agreed action of the majority of such Trustees, shall have power to appoint, and upon the written request of the Administrative Trustees, the Depositor shall for such purpose join with the Administrative Trustees in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to the extent required by law to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section shall either be (a) a natural person who is at least 21 years of age and a resident of the United States or (b) a legal entity with its principal place of business in the United States that shall act through one or more persons authorized to bind such entity.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Depositor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) The Trust Securities shall be executed by one or more of the Administrative Trustees, and the Trust Securities shall be delivered by the Property Trustee, and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Property Trustee specified hereunder shall be exercised solely by the Property Trustee and not by such co-trustee or separate trustee.

(b) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigning or removed may be appointed in the manner provided in this Section.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee or any other trustee hereunder.

(e) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee.

(f) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

#### SECTION 8.10. Resignation and Removal; Appointment of Successor.

No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 8.11.

Subject to the immediately preceding paragraph, the Relevant Trustee may resign at any time by giving written notice thereof to the Securityholders and by appointing a successor Relevant

Trustee. The Relevant Trustee shall appoint a successor by requesting from at least three Persons meeting the eligibility requirements its expenses and charges to serve as the Relevant Trustee on a form provided by the Administrative Trustees, and selecting the Person who agrees to the lowest expenses and charges. If the instrument of acceptance by the successor Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 60 days after the giving of such notice of resignation, the Relevant Trustee may petition, at the expense of the Trust, any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

Unless a Debenture Event of Default shall have occurred and be continuing, any Trustee may be removed at any time by Act of the Common Security holder. If a Debenture Event of Default shall have occurred and be continuing, the Property Trustee or the Delaware Trustee, or both of them, may be removed at such time by Act of the Holders of a majority in Liquidation Amount of the Preferred Securities, delivered to the Relevant Trustee (in its individual capacity and, in the case of the Property Trustee, on behalf of the Trust). An Administrative Trustee may be removed by the Common Security holder at any time. If the instrument of acceptance by the successor Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 60 days after such removal, the Relevant Trustee may petition, at the expense of the Trust, any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

If any Trustee shall resign, be removed or become incapable of acting as Trustee, or if a vacancy shall occur in the office of any Trustee for any cause, at a time when no Debenture Event of Default shall have occurred and be continuing, the Common Security holder, by Act of the Common Security holder delivered to the retiring Trustee, shall promptly appoint a successor Trustee or Trustees, and the retiring Trustee shall comply with the applicable requirements of Section 8.11. If the Property Trustee or the Delaware Trustee shall resign, be removed or become incapable of continuing to act as the Property Trustee or the Delaware Trustee, as the case may be, at a time when a Debenture Event of Default shall have occurred and be continuing, the Preferred Securityholders, by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities then Outstanding delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and such successor Trustee shall comply with the applicable requirements of Section 8.11. If an Administrative Trustee shall resign, be removed or become incapable of acting as Administrative Trustee, at a time when a Debenture Event of Default shall have occurred and be continuing, the Common Security holder by Act of the Common Security holder delivered to the Administrative Trustee shall promptly appoint a successor Administrative Trustee or Administrative Trustees and such successor Administrative Trustee or Trustees shall comply with the applicable requirements of Section 8.11. If no successor Relevant Trustee shall have been so appointed by the Common Security holder or the Preferred Securityholders and accepted appointment in the manner required by Section 8.11, any Security holder who has been a Security holder of Trust Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

The Property Trustee shall give notice of each resignation and each removal of a Trustee and each appointment of a successor Trustee to all Securityholders, in the manner provided in Section 10.10 and shall give notice to the Depositor and to the Administrative Trustees. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.



Notwithstanding the foregoing or any other provision of this Trust Agreement, if any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes, in the opinion of the Holder of the Common Securities, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (a) the unanimous act of the remaining Administrative Trustees if there are at least two of them or (b) otherwise by the Depositor (with the successor in each case being a Person who satisfies the eligibility requirement for the Administrative Trustees or the Delaware Trustee, as the case may be, set forth in Section 8.7).

SECTION 8.11. Acceptance of Appointment by Successor.

In case of the appointment hereunder of a successor Relevant Trustee, the retiring Relevant Trustee and each successor Relevant Trustee with respect to the Trust Securities shall execute and deliver an amendment hereto wherein each successor Relevant Trustee shall accept such appointment and which (a) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Trust and (b) shall add to or change any of the provisions of this Trust Agreement as shall be necessary to provide for or facilitate the administration of the Trust by more than one Relevant Trustee, it being understood that nothing herein or in such amendment shall constitute such Relevant Trustees co-trustees and upon the execution and delivery of such amendment the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on request of the Trust or any successor Relevant Trustee such retiring Relevant Trustee shall duly assign, transfer and deliver to such successor Relevant Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Trust Securities and the Trust.

Upon request of any such successor Relevant Trustee, the Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article.

SECTION 8.12. Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee 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.

SECTION 8.13. Preferential Collection of Claims Against Depositor or Trust.

If and when the Property Trustee or the Delaware Trustee shall be or become a creditor of the Depositor or the Trust (or any other obligor upon the Debentures or the Trust Securities), the Property Trustee or the Delaware Trustee, as the case may be, shall be subject to and shall take all actions necessary in order to comply with the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor).

SECTION 8.14. Trustee May File Proofs of Claim.

In case 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 Trust 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 Trust Securities shall then be due and payable 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 Trust 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 Trust Securities or the rights of any Holder thereof or to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 8.15. Reports by Property Trustee.

(a) Not later than March 31 of each year commencing with March 31, 199\_, the Property Trustee shall transmit to all Securityholders in accordance with Section 10.10, and to the Depositor such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with each national stock exchange, the Nasdaq National Market or such other interdealer quotation system or self-regulatory organization upon which the Trust Securities are listed or traded, if any, with the Commission and with the Depositor. The Depositor shall promptly notify the Property Trustee when the Trust Securities are so listed or traded.

SECTION 8.16. Reports to the Property Trustee.

The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314(a) of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. 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 or determinable from information contained therein, including the Depositor's compliance with any of its covenants hereunder (as to which the Property Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 8.17. Evidence of Compliance with Conditions Precedent.

Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314 (c) of the Trust

Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act shall be given in the form of an Officers' Certificate.

SECTION 8.18. Number of Trustees.

(a) The number of Trustees shall be four, provided that the Holder of all of the Common Securities by written instrument may increase or decrease the number of Administrative Trustees. The Property Trustee and the Delaware Trustee may be the same Person.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 8.18(a), or if the number of Administrative Trustees is increased pursuant to Section 8.18(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul, dissolve or terminate the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 8.10, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Agreement), shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Trust Agreement.

SECTION 8.19. Delegation of Power.

(a) Any Administrative 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 documents contemplated in Section 2.7(a), including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number or to the Depositor the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of this Trust Agreement.

ARTICLE IX.

Termination, Liquidation and Merger

SECTION 9.1. Termination Upon Expiration Date.

Unless earlier terminated, the Trust shall automatically terminate on December 31, 2051 (the "Expiration Date"), following the distribution of the Trust Property in accordance with Section 9.4.

SECTION 9.2. Early Termination.

The first to occur of any of the following events is an "Early Termination Event":

(a) the occurrence of a Bankruptcy Event in respect of, or the dissolution or liquidation of, the Holder of the Common Securities;

(b) the written direction to the Property Trustee from the Holder of the Common Securities at any time to dissolve the Trust and, after satisfaction or the making of reasonable provision for the payment of liabilities to creditors of the Trust, to distribute Debentures to Securityholders in exchange for the Preferred Securities (which direction is optional and wholly within the discretion of the Holder of the Common Securities);

(c) the redemption of all of the Preferred Securities in connection with the redemption of all the Debentures; and

(d) the entry of an order for dissolution of the Trust by a court of competent jurisdiction.

SECTION 9.3. Termination.

The respective obligations and responsibilities of the Trustees and the Trust created and continued hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Securityholders of all amounts required to be distributed hereunder upon the liquidation of the Trust pursuant to Section 9.4, or upon the redemption of all of the Trust Securities pursuant to Section 4.2; (b) the payment of any expenses owed by the Trust; and (c) the discharge of all administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders.

SECTION 9.4. Liquidation.

(a) If an Early Termination Event specified in clause (a), (b) or (d) of Section 9.2 occurs or upon the Expiration Date, the Trust shall be wound up by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after satisfaction or the making of reasonable provision for the payment of liabilities to creditors of the Trust as provided by applicable

law, to each Securityholder a Like Amount of Debentures, subject to Section 9.4(d). Notice of dissolution shall be given by the Property Trustee by first-class mail, postage prepaid mailed not less than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All such notices of dissolution shall:

(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Debentures, or if Section 9.4(d) applies receive a Liquidation Distribution, as the Property Trustee (after consultation with the Administrative Trustees) shall deem appropriate.

(b) Except where Section 9.2(c) or 9.4(d) applies, in order to effect the dissolution and winding-up of the Trust and distribution of the Debentures to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Section 9.2(c) or 9.4(d) applies, after the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) certificates representing a Like Amount of Debentures will be issued to Holders of Trust Securities Certificates, upon surrender of such certificates to the Administrative Trustees or their agent for exchange, (iii) the Depositor shall use its best efforts to have the Debentures listed on the New York Stock Exchange or on such other stock exchange, interdealer quotation system or self-regulatory organization as the Preferred Securities are then listed or traded, if any, (iv) any Trust Securities Certificates not so surrendered for exchange will be deemed to represent a Like Amount of Debentures, accruing interest at the rate provided for in the Debentures from the last Distribution Date on which a Distribution was made on such Trust Securities Certificates until such certificates are so surrendered (and until such certificates are so surrendered, no payments of interest or principal will be made to Holders of Trust Securities Certificates with respect to such Debentures) and (v) all rights of Securityholders holding Trust Securities will cease, except the right of such Securityholders to receive Debentures upon surrender of Trust Securities Certificates.

(d) In the event that, notwithstanding the other provisions of this Section 9.4, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Debentures in the manner provided herein is determined by the Property Trustee not to be practical, or if an Early Termination Event specified in clause (c) of Section 9.2 occurs, the Trust Property shall be liquidated, and the Trust shall be dissolved, wound-up and terminated, by

the Property Trustee in such manner as the Property Trustee determines. In such event, in connection with the winding-up of the Trust, Securityholders, will be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to the Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If, upon any such dissolution and winding-up, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holder of the Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution and winding-up pro rata (determined as aforesaid) with Holders of Preferred Securities, except that, if a Debenture Event of Default specified in Section 5.1(1) or 5.1(2) of the Indenture has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities as provided in Section 4.3.

SECTION 9.5. Mergers, Consolidations, Amalgamations or Replacements of the Trust.

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except pursuant to Section 9.4 or this Section 9.5. At the request of the Holder of Common Securities, with the consent of the Administrative Trustees and without the consent of the Holders of the Preferred Securities, the Property Trustee or the Delaware Trustee, the Trust may merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any State; provided, that (a) such successor entity either (i) expressly assumes all of the obligations of the Trust with respect to the Preferred Securities or (ii) substitutes for the Preferred Securities other securities having substantially the same material terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities have the same priority as the Preferred Securities with respect to distributions and payments upon liquidation, redemption and otherwise; (b) a trustee of such successor entity possessing the same powers and duties as the Property Trustee is appointed to hold the Debentures; (c) the Successor Securities are listed or traded, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed or traded, if any; (d) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization; (e) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect; (f) such successor entity has a purpose substantially identical to that of the Trust; (g) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Property Trustee has received an Opinion of Counsel to the effect that (i) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect, and (ii) following such merger, consolidation,

amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act; and (h) the Depositor or its permitted transferee owns all of the common securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of Holders of 100% in Liquidation Amount of the Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

## ARTICLE X.

### Miscellaneous Provisions

#### SECTION 10.1. Limitation of Rights of Securityholders.

The death, incapacity, liquidation, dissolution, termination or bankruptcy of any Person having an interest, beneficial or otherwise, in Trust Securities shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim, to the fullest extent permitted by law, an accounting, take any action or bring any proceeding in any court for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

#### SECTION 10.2. Liability of Holder of Common Securities.

Pursuant to Section 3803 of the Delaware Business Trust Act, the Depositor as the Holder of Common Securities, shall be liable for the debts and obligations of the Trust as set forth in the Expense Agreement, which is made a part hereof.

#### SECTION 10.3. Amendment.

(a) This Trust Agreement may be amended from time to time by the Property Trustee, the Administrative Trustees and the Depositor, without the consent of any Securityholders, (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, which shall not be inconsistent with the other provisions of this Trust Agreement, or (ii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or as other than a grantor trust at all times that any Trust Securities are outstanding or to ensure that the Trust will not be required to register as an investment company under the 1940 Act; provided however, that in the case of clause



(i) or (ii), such action shall not adversely affect in any material respect the interests of any Securityholder, and any amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Section 10.3(c) hereof, any provision of this Trust Agreement may be amended by the Administrative Trustees and the Depositor with (i) the consent of Trust Securityholders representing not less than a majority (based upon Liquidation Amounts) of the Trust Securities then Outstanding and (ii) receipt by the Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Trustees in accordance with such amendment will not affect the Trust's status as a grantor trust or cause the Trust to be an association taxable as a corporation for United States federal income tax purposes or the Trust's exemption from status of an investment company under the 1940 Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date; notwithstanding any other provision herein, without the unanimous consent of the Securityholders (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this paragraph (c) of this Section 10.3 may not be amended.

(d) Notwithstanding any other provisions of this Trust Agreement, no Trustee shall enter into or consent to any amendment to this Trust Agreement which would cause the Trust to fail or cease to qualify for the exemption from status of an investment company under the 1940 Act or cause the Trust to be classified as an association taxable as a corporation or not to be a grantor trust for United States federal income tax purposes.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor and the Administrative Trustees, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor or the Administrative Trustees.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

(g) Neither the Property Trustee nor the Delaware Trustee shall be required to enter into any amendment to this Trust Agreement which affects its own rights, duties or immunities under this Trust Agreement. The Property Trustee shall be entitled to receive an Opinion of Counsel and an Officers' Certificate stating that any amendment to this Trust Agreement is in compliance with this Trust Agreement.

SECTION 10.4. Separability.

In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.5. Governing Law.

THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES, AND THE LIABILITY OF SECURITYHOLDERS FOR OBLIGATIONS AND LIABILITIES OF THE TRUST SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. THE PROVISIONS OF SECTIONS 3540 AND 3561 OF TITLE 12 THE DELAWARE CODE ANNOTATED SHALL NOT APPLY TO THE TRUST.

SECTION 10.6. No Recourse.

The Trust's obligations hereunder are intended to be the obligations of the Trust and no recourse for the payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, Trust Securities, as applicable, or for any claim upon the Trust Securities or otherwise in respect thereof, shall be had against any Securityholder or any Affiliate of a Securityholder, solely by reason of such person being a Securityholder or an Affiliate of a Securityholder, it being understood that the Securityholders, solely by reason of being a Securityholder, have limited liability (in accordance with the provisions of the Delaware Business Trust Act) for the liabilities and obligations of the Trust. Nothing contained in this Section 10.6 shall be construed to limit the exercise or enforcement, in accordance with the terms of this Trust Agreement, the Guarantee and the Indenture, of rights and remedies against the Trust or the Depositor.

SECTION 10.7. Payments Due on Non-Business Day.

If the date fixed for any payment on any Trust Security shall be a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day that is a Business Day (except as otherwise provided in Sections 4.1(a) and 4.2(d)), with the same force and effect as though made on the date fixed for such payment, and no Distributions shall accumulate on such unpaid amount for the period after such date.

SECTION 10.8. Successors.

This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Depositor, the Trust or any Trustee, including any successor by operation of law. Except in connection with a consolidation, merger or sale involving the Depositor that is permitted under

Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Depositor's obligations hereunder, the Depositor shall not assign its obligations hereunder.

SECTION 10.9. Headings.

The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

SECTION 10.10. Reports, Notices and Demands.

Any report, notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, first-class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (a) in the case of a Preferred Securityholder, to such Preferred Securityholder as such Securityholder's name and address may appear on the Securities Register; and (b) in the case of the Common Securityholder or the Depositor, to Houston Lighting & Power Company, Houston Industries Plaza, 1111 Louisiana Street, Houston, Texas 77002, Attention: Treasurer, facsimile no.: (713) 207-3301, or to such other address as may be specified in a written notice by the Holder of the Common Securities or the Depositor, as the case may be, to the Property Trustee. Such notice, demand or other communication to or upon a Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission. Such notice, demand or other communication to or upon the Depositor shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Depositor.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust, the Property Trustee, the Delaware Trustee or the Administrative Trustees shall be given in writing addressed (until another address is published by the Trust) as follows: (a) with respect to the Property Trustee to 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration; (b) with respect to the Delaware Trustee, to White Clay Center, Route 273, Newark, Delaware 19711, Attention: Corporate Trust Department; (c) with respect to the Administrative Trustees, to 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899, marked "Attention Administrative Trustees of HL&P Capital Trust\_\_"; and (d) with respect to the Trust, to its principal office specified in Section 2.2, with a copy to the Property Trustee. Such notice, demand or other communication to or upon the Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Trust or the Property Trustee.

SECTION 10.11. Agreement Not to Petition.

Each of the Trustees and the Depositor agree for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, they shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, insolvency,

reorganization or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws" or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.11, the Property Trustee agrees, for the benefit of Securityholders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be stopped and precluded therefrom and such other defenses, if any, as counsel for the Trustee or the Trust may assert. The provisions of this Section 10.11 shall survive the termination of this Trust Agreement.

SECTION 10.12. Trust Indenture Act; Conflict with Trust Indenture Act.

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

(b) The Property Trustee shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required or deemed provision shall control. If any provision of this Trust Agreement modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Trust Agreement as so modified or excluded, as the case may be.

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

SECTION 10.13. Acceptance of Terms of Trust Agreement, Guarantee and Indenture.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT, THE GUARANTEE AND THE INDENTURE, AND AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE INDENTURE, AND SHALL CONSTITUTE THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT SHALL BE BINDING,

OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

In Witness Whereof, the parties hereof have entered into this Trust Agreement as of the date first above written.

Houston Lighting & Power Company

By: \_\_\_\_\_  
Name:  
Title:

The Bank Of New York,  
as Property Trustee

By: \_\_\_\_\_  
Name:  
Title:

The Bank Of New York (Delaware),  
as Delaware Trustee

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
\_\_\_\_\_,  
as Administrative Trustee

\_\_\_\_\_  
\_\_\_\_\_,  
as Administrative Trustee

CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST \_

THIS CERTIFICATE OF TRUST of HL&P Capital Trust \_\_\_\_ (the "Trust"),  
dated January \_\_, 1997, is being duly executed and filed by the undersigned as  
trustee, to form a business trust under the Delaware Business Trust Act  
(12 Del. C. (S) 3801 et seq.).  
----- -- --

1. Name. The name of the business trust being formed hereby is HL&P  
-----  
Capital Trust \_.

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), White Clay Center, Route 273, Newark, Delaware  
19711.

3. Effective Date. This Certificate of Trust shall be effective at  
-----  
the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the  
Trust at the time of filing this Certificate of Trust, has executed this  
Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: -----  
Name:  
Title:

January \_\_, 1997

The Depository Trust Company,  
55 Water Street, 49th Floor,  
New York, New York 10041-0099

Attention: \_\_\_\_\_  
General Counsel's Office

Re: HL&P Capital Trust \_ \_\_\_\_ % Capital Securities, Series  
-----

Ladies and Gentlemen:

The purpose of this letter is to set forth certain matters relating to the issuance and deposit with The Depository Trust Company ("DTC") of the HL&P Capital Trust \_ \_\_\_\_% Capital Securities, Series \_\_\_\_ (the "Preferred Securities"), of HL&P Capital Trust \_\_, a Delaware business trust (the "Issuer"), formed pursuant to a Trust Agreement between Houston Lighting & Power Company (the "Corporation") and The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and the Administrative Trustees named therein. The payment of distributions on the Preferred Securities, and payments due upon liquidation of the Issuer or redemption of the Preferred Securities, to the extent the Issuer has funds available for the payment thereof, are guaranteed by the Corporation to the extent set forth in a Guarantee Agreement, dated January \_\_, 1997 by the Corporation with respect to the Preferred Securities. The Corporation and the Issuer propose to sell the Preferred Securities to certain Underwriters (the "Underwriters") pursuant to an Underwriting Agreement dated January \_\_, 1997 by and among the Underwriters, the Issuer and the Corporation, and the Underwriters wish to take delivery of the Preferred Securities through DTC. The Bank of New York is acting as transfer agent and registrar with respect to the Preferred Securities (the "Transfer Agent and Registrar").

To induce DTC to accept the Preferred Securities as eligible for deposit at DTC, and to act in accordance with DTC's rules with respect to the Preferred Securities, the Issuer, the Transfer Agent and Registrar and DTC agree among each other as follows:

1. Prior to the closing of the sale of the Preferred Securities to the Underwriters, which is expected to occur on or about January \_\_, 1997, there shall be deposited with DTC one or more global certificates (individually and collectively, the "Global Certificate") registered in the



name of DTC's Preferred Securities nominee, Cede & Co., representing an aggregate of \_\_\_\_\_ Preferred Securities and bearing the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

2. The Amended and Restated Trust Agreement of the Issuer provides for the voting by holders of the Preferred Securities under certain limited circumstances. The Issuer shall establish a record date for such purposes and shall, to the extent possible, give DTC notice of such record date not less than 15 calendar days in advance of such record date.

3. In the event of a stock split, conversion, recapitalization, reorganization or any other similar transaction resulting in the cancellation of all or any part of the Preferred Securities outstanding, the Issuer or the Transfer Agent and Registrar shall send DTC a notice of such event at least 5 business days prior to the effective date of such event.

4. In the event of distribution on, or an offering or issuance of rights with respect to, the Preferred Securities outstanding, the Issuer or the Transfer Agent and Registrar shall send DTC a notice specifying: (a) the amount of and conditions, if any, applicable to the payment of any such distribution or any such offering or issuance of rights; (b) any applicable expiration or deadline date, or any date by which any action on the part of the holders of Preferred Securities is required; and (c) the date any required notice is to be mailed by or on behalf of the Issuer to holders of Preferred Securities or published by or on behalf of the Issuer (whether by mail or publication, the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or the Transfer Agent and Registrar will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission of multiple CUSIP numbers (if applicable) that includes a manifest or list of each CUSIP number submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be not less than 30 calendar days nor more than 60 calendar days prior to the payment of any such distribution or any such offering or issuance of rights with respect to the Preferred Securities. After establishing the amount of payment to be made on the Preferred Securities, the Issuer or the Transfer Agent and Registrar will notify DTC's Dividend Department of such payment 5 business days prior to payment

date. Notices to DTC's Dividend Department by telecopy shall be sent to (212) 709-1723. Such notices by mail or by any other means shall be sent to:

Manager, Announcements  
Dividend Department  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

The Issuer or the Transfer Agent and Registrar shall confirm DTC's receipt of such telecopy by telephoning the Dividend Department at (212) 709-1270.

5. In the event of a redemption by the Issuer of the Preferred Securities, notice specifying the terms of the redemption and the Publication Date of such notice shall be sent by the Issuer or the Transfer Agent and Registrar to DTC not less than 30 calendar days prior to such event by a secure means in the manner set forth in paragraph 4. Such redemption notice shall be sent to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190, and receipt of such notice shall be confirmed by telephoning (516) 227-4070. Notice by mail or by any other means shall be sent to:

Call Notification Department  
The Depository Trust Company  
711 Stewart Avenue  
Garden City, New York 11530-4719

6. In the event of any invitation to tender the Preferred Securities, notice specifying the terms of the tender and the Publication Date of such notice shall be sent by the Issuer or the Transfer Agent and Registrar to DTC by a secure means and in a timely manner as described in paragraph 4. Notices to DTC pursuant to this paragraph and notices of other corporate actions (including mandatory tenders, exchanges and capital changes), shall be sent, unless notification to another department is expressly provided for herein, by telecopy to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094 and receipt of such notice shall be confirmed by telephoning (212) 709-6884, or by mail or any other means to:

Manager, Reorganization Department  
Reorganization Window  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

7. All notices and payment advices sent to DTC shall contain the CUSIP number or numbers of the Preferred Securities and the accompanying designation of the Preferred Securities, which, as of the date of this letter, is "HL&P Capital Trust \_ \_\_\_% Capital Securities, Series \_\_\_."

8. Distribution payments or other cash payments with respect to the Preferred Securities evidenced by the Global Certificate shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next day funds on each payment date (or in accordance with existing arrangements between the Issuer or the Transfer Agent and Registrar and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NDFS Redemption Department  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

9. DTC may by prior written notice direct the Issuer and the Transfer Agent and Registrar to use any other telecopy number or address of DTC as the number or address to which notices or payments may be sent.

10. In the event of a conversion, redemption, or any other similar transaction (e.g., tender made and accepted in response to the Issuer's or the Transfer Agent and Registrar's invitation) necessitating a reduction in the aggregate number of Preferred Securities outstanding evidenced by the Global Certificate, DTC, in its discretion: (a) may request the Issuer or the Transfer Agent and Registrar to issue and countersign a new Global Certificate; or (b) may make an appropriate notation on the Global Certificate indicating the date and amount of such reduction.

11. DTC may discontinue its services as a securities depository with respect to the Preferred Securities at any time by giving at least 90 days' prior written notice to the Issuer and the Transfer Agent and Registrar (at which time DTC will confirm with the Issuer or the Transfer Agent and Registrar the aggregate number of Preferred Securities deposited with it) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Issuer may determine to make alternative arrangements for book-entry settlement for the Preferred Securities, make available one or more separate global certificates evidencing Preferred Securities to any Participant having Preferred Securities credited to its DTC account, or issue definitive Preferred Securities to the beneficial holders thereof, and in any such case, DTC agrees to cooperate fully with the Issuer and the Transfer Agent and Registrar, and to return the Global Certificate, duly endorsed for transfer as directed by the Issuer or the Transfer Agent and Registrar, together with any other documents of transfer reasonably requested by the Issuer or the Transfer Agent and Registrar.

12. In the event that the Issuer determines that beneficial owners of Preferred Securities shall be able to obtain definitive Preferred Securities, the Issuer or the Transfer Agent and Registrar shall notify DTC of the availability of certificates. In such event, the Issuer or the Transfer Agent and Registrar shall issue, transfer and exchange certificates in appropriate amounts, as required by DTC and others, and DTC agrees to cooperate fully with the Issuer and the Transfer Agent and Registrar and to return the Global Certificate, duly endorsed for transfer as directed by the Issuer or the Transfer Agent and Registrar, together with any other documents of transfer reasonably requested by the Issuer or the Transfer Agent and Registrar.

13. This letter may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Nothing herein shall be deemed to require the Transfer Agent and Registrar to advance funds on behalf of HL&P Capital Trust\_.

Very truly yours,

HL&P CAPITAL TRUST\_  
(as Issuer)

By: \_\_\_\_\_  
Name:  
Administrative Trustee

THE BANK OF NEW YORK  
(as Transfer Agent and Registrar)

By: \_\_\_\_\_  
Name:  
Title:

Received and accepted:  
THE DEPOSITORY TRUST COMPANY

By: \_\_\_\_\_  
Authorized Officer

THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO HOUSTON LIGHTING & POWER COMPANY OR AN AFFILIATE OF HOUSTON LIGHTING & POWER COMPANY IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.10 OF THE TRUST AGREEMENT AND ONLY IN CONNECTION WITH A SIMULTANEOUS DELEGATION AND ASSIGNMENT OF THE EXPENSE AGREEMENT REFERRED TO THEREIN

Certificate Number  
C-1

Number of Common Securities  
-----

Certificate Evidencing Common Securities

of

HL&P Capital Trust\_  
\_\_\_\_\_% Common Securities  
(liquidation amount \$1,000 per Common Security)

HL&P Capital Trust \_, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Houston Lighting & Power Company (the "Holder") is the registered owner of \_\_\_\_\_ (\_\_\_\_\_) common securities of the Trust representing an undivided beneficial interest in the assets of the Trust and designated the \_\_\_\_% Common Securities (liquidation amount \$1,000 per Common Security) (the "Common Securities"). In accordance with Section 5.10 of the Trust Agreement (as defined below) the Common Securities are not transferable and any attempted transfer hereof shall be void. 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 Trust Agreement of the Trust dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of the Common Securities as set forth therein. The Trust will furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust  
has executed this certificate this \_\_\_\_ day of January, 1997.

HL&P CAPITAL TRUST\_

By:

-----

Name:  
Administrative Trustee

C-2

AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT, dated as of January \_\_, 1997, between Houston Lighting & Power Company, a Texas corporation (the "Corporation"), and HL&P Capital Trust \_\_, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive Debentures from the Corporation and to issue and sell its \_\_\_% Capital Securities, Series\_ (the "Preferred Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust, dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"); and

WHEREAS, the Corporation will directly or indirectly own all of the Common Securities of the Trust and will issue the Debentures;

NOW, THEREFORE, in consideration of the purchase by each holder of the Preferred Securities, which purchase the Corporation, as the holder of the Common Securities, hereby agrees shall benefit it and which purchase the Corporation, as the holder of the Common Securities, acknowledges will be made in reliance upon the execution and delivery of this Agreement, the Corporation, as the holder of the Common Securities, and the Trust hereby agree as follows:

ARTICLE I.

SECTION 1.1. Agreement and Guarantee by the Corporation.

Subject to the terms and conditions hereof, the Corporation agrees to pay to the Trust for payment to the Beneficiaries (as hereinafter defined) amounts equal to the Obligations (as hereinafter defined). In addition, subject to the terms and conditions hereof, the Corporation, as the holder of the Common Securities, hereby irrevocably and unconditionally guarantees to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any costs, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Preferred Securities or other similar interests in the Trust the amounts due such holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be in respect of principal, interest (including Additional Interest) or Additional Amounts, on the Preferred Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

SECTION 1.2. Term of Agreement.

This Agreement shall terminate and be of no further force and effect upon the later of (a) the date on which full payment has been made of all amounts payable to all holders of all the Preferred Securities (whether upon redemption, liquidation, exchange or otherwise) and (b) the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Preferred Securities or any Beneficiary must restore payment of any sums paid under the Preferred Securities, under any Obligation, under the Guarantee Agreement, dated as of the date hereof by the Corporation and The Bank of New York, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

SECTION 1.3. Waiver of Notice.

The Corporation hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and the Corporation hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 1.4. No Impairment.

The obligations, covenants, agreements and duties of the Corporation under this 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 extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) 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 Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, the Corporation with respect to the happening of any of the foregoing.



SECTION 1.5. Enforcement.

A Beneficiary may enforce this Agreement directly against the Corporation and the Corporation waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against the Corporation.

SECTION 1.6. Subrogation.

The Corporation shall be subrogated to all (if any) rights of the Trust in respect of any amounts paid to the Beneficiaries by the Corporation under this Agreement; provided, however, that the Corporation 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 Agreement, if, at the time of any such payment, any amounts are due and unpaid under this Agreement.

ARTICLE II.

SECTION 2.1. Binding Effect.

All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Corporation and shall inure to the benefit of the Beneficiaries.

SECTION 2.2. Amendment.

So long as there remains any Beneficiary or any Preferred Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Preferred Securities.

SECTION 2.3. Notices.

Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and, if so given, shall be deemed given when mailed or upon receipt of an answer back, if sent by telex):

HL&P Capital Trust \_\_\_\_  
c/o Houston Industries Incorporated  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

SECTION 2.4. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THERETO.

SECTION 2.5. Limited Liability.

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.

THIS AGREEMENT is executed as of the day and year first above written.

HOUSTON LIGHTING & POWER COMPANY

By:

-----

Name:  
Title:

HL&P CAPITAL TRUST \_\_\_\_

By:

-----

Name:  
Administrative Trustee

IF THE PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE, INSERT - This Preferred Security is a Global Certificate within the meaning of the Trust Agreement hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Preferred Security is exchangeable for Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Trust Agreement and no transfer of this Preferred Security (other than a transfer of this Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) 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) to HL&P Capital Trust \_\_\_ 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 inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Certificate Number \_\_\_\_\_ Number of Preferred Securities \_\_\_\_\_  
Securities \_\_\_\_\_  
P- \_\_\_\_\_  
CUSIP No.: \_\_\_\_\_

Certificate Evidencing Preferred Securities  
of  
HL&P Capital Trust \_\_\_  
\_\_\_% Capital Securities, Series \_\_\_  
(liquidation amount \$1,000 per Security)

HL&P Capital Trust \_\_\_, 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 an undivided beneficial interest in the assets of the Trust and designated the HL&P Capital Trust \_\_\_ \_\_\_% Capital Securities, Series \_\_\_ (liquidation amount \$1,000 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

as provided in Section 5.4 of the Trust Agreement (as defined below). 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 Trust Agreement of the Trust, dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of Preferred Securities as set forth therein. The Holder is entitled to the benefits of the Guarantee Agreement entered into by Houston Lighting & Power Company, a Texas corporation, and The Bank of New York, as guarantee trustee, dated as of January \_\_, 1997 (the "Guarantee"), to the extent provided therein. The Trust will furnish a copy of the Trust Agreement and the Guarantee to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust has executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

HL&P CAPITAL TRUST \_\_\_\_

By:

-----

Name:  
Administrative Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security to:\_\_\_\_\_

\_\_\_\_\_  
(Insert assignee's social security or tax identification number)

\_\_\_\_\_  
(Insert address and zip code of assignee)

and irrevocably appoints\_\_\_\_\_

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:\_\_\_\_\_

(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

Signature(s) Guaranteed:

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

[Form Relating to Preferred Securities]

=====

AMENDED AND RESTATED

TRUST AGREEMENT

among

HOUSTON LIGHTING & POWER COMPANY, as Depositor,

THE BANK OF NEW YORK,  
as Property Trustee,

THE BANK OF NEW YORK (DELAWARE),  
as Delaware Trustee,

and

THE ADMINISTRATIVE TRUSTEES NAMED HEREIN

Dated as of January \_\_, 1997

HL&P CAPITAL TRUST \_

=====

TABLE OF CONTENTS

ARTICLE I. Defined Terms..... 1  
SECTION 1.1. Definitions..... 1

ARTICLE II. Establishment of the Trust.....10  
SECTION 2.1. Name.....10  
SECTION 2.2. Office of the Delaware Trustee;  
Principal Place of Business; Agents for Service of Process...10  
SECTION 2.3. Initial Contribution of Trust Property;  
Organizational Expenses.....10  
SECTION 2.4. Issuance of the Preferred Securities.....11  
SECTION 2.5. Issuance of the Common Securities;  
Subscription and Purchase of Debentures.....11  
SECTION 2.6. Declaration of Trust.....11  
SECTION 2.7. Authorization to Enter into Certain Transactions.....12  
SECTION 2.8. Assets of Trust.....17  
SECTION 2.9. Title to Trust Property.....17

ARTICLE III. Payment Account.....18  
SECTION 3.1. Payment Account.....18

ARTICLE IV. Distributions; Redemption.....18  
SECTION 4.1. Distributions.....18  
SECTION 4.2. Redemption.....19  
SECTION 4.3. Subordination of Common Securities.....21  
SECTION 4.4. Payment Procedures.....22  
SECTION 4.5. Tax Returns and Reports.....22  
SECTION 4.6. Payment of Taxes, Duties, Etc. of the Trust.....22  
SECTION 4.7. Payments under Indenture or Pursuant to Direct Actions.....23

ARTICLE V. Trust Securities Certificates.....23  
SECTION 5.1. Initial Ownership.....23  
SECTION 5.2. The Trust Securities Certificates.....23  
SECTION 5.3. Execution and Delivery of Trust Securities Certificates.....23  
SECTION 5.4. Registration of Transfer and Exchange of  
Preferred Securities Certificates.....24  
SECTION 5.5. Mutilated, Destroyed, Lost or Stolen  
Trust Securities Certificates.....24  
SECTION 5.6. Persons Deemed Securityholders.....25  
SECTION 5.7. Access to List of Securityholders' Names and Addresses.....25  
SECTION 5.8. Maintenance of Office or Agency.....26  
SECTION 5.9. Appointment of Paying Agent.....26  
SECTION 5.10. Ownership of Common Securities by Depositor.....26

SECTION 5.11.	Book-Entry Preferred Securities Certificates; Common Securities Certificate.....	27
SECTION 5.12.	Notices to Clearing Agency.....	28
SECTION 5.13.	Definitive Preferred Securities Certificates.....	28
SECTION 5.14.	Rights of Securityholders.....	29
SECTION 5.15.	CUSIP Numbers.....	31
ARTICLE VI.	Acts of Securityholders; Meetings; Voting.....	31
SECTION 6.1.	Limitations on Voting Rights.....	31
SECTION 6.2.	Notice of Meetings.....	32
SECTION 6.3.	Meetings of Preferred Securityholders.....	32
SECTION 6.4.	Voting Rights.....	33
SECTION 6.5.	Proxies, Etc.....	33
SECTION 6.6.	Securityholder Action by Written Consent.....	33
SECTION 6.7.	Record Date for Voting and Other Purposes.....	33
SECTION 6.8.	Acts of Securityholders.....	34
SECTION 6.9.	Inspection of Records.....	35
ARTICLE VII.	Representations and Warranties.....	35
SECTION 7.1.	Representations and Warranties of the Property Trustee and the Delaware Trustee.....	35
SECTION 7.2.	Representations and Warranties of Depositor.....	36
ARTICLE VIII.	The Trustees.....	37
SECTION 8.1.	Certain Duties and Responsibilities.....	37
SECTION 8.2.	Certain Notices.....	39
SECTION 8.3.	Certain Rights of Property Trustee.....	40
SECTION 8.4.	Not Responsible for Recitals or Use of Proceeds.....	42
SECTION 8.5.	May Hold Securities.....	42
SECTION 8.6.	Compensation; Indemnity; Fees.....	42
SECTION 8.7.	Corporate Property Trustee Required; Eligibility of Trustees.....	43
SECTION 8.8.	Conflicting Interests.....	44
SECTION 8.9.	Co-Trustees and Separate Trustee.....	44
SECTION 8.10.	Resignation and Removal; Appointment of Successor.....	45
SECTION 8.11.	Acceptance of Appointment by Successor.....	47
SECTION 8.12.	Merger, Conversion, Consolidation or Succession to Business.....	47
SECTION 8.13.	Preferential Collection of Claims Against Depositor or Trust.....	48
SECTION 8.14.	Trustee May File Proofs of Claim.....	48
SECTION 8.15.	Reports by Property Trustee.....	49
SECTION 8.16.	Reports to the Property Trustee.....	49
SECTION 8.17.	Evidence of Compliance with Conditions Precedent.....	49
SECTION 8.18.	Number of Trustees.....	50
SECTION 8.19.	Delegation of Power.....	50



ARTICLE IX.	Termination, Liquidation and Merger.....	51
SECTION 9.1.	Termination Upon Expiration Date.....	51
SECTION 9.2.	Early Termination.....	51
SECTION 9.3.	Termination.....	51
SECTION 9.4.	Liquidation.....	51
SECTION 9.5.	Mergers, Consolidations, Amalgamations or Replacements of the Trust.....	53
ARTICLE X.	Miscellaneous Provisions.....	54
SECTION 10.1.	Limitation of Rights of Securityholders.....	54
SECTION 10.2.	Liability of Holder of Common Securities.....	54
SECTION 10.3.	Amendment.....	54
SECTION 10.4.	Separability.....	56
SECTION 10.5.	Governing Law.....	56
SECTION 10.6.	No Recourse.....	56
SECTION 10.7.	Payments Due on Non-Business Day.....	56
SECTION 10.8.	Successors.....	56
SECTION 10.9.	Headings.....	57
SECTION 10.10.	Reports, Notices and Demands.....	57
SECTION 10.11.	Agreement Not to Petition.....	57
SECTION 10.12.	Trust Indenture Act; Conflict with Trust Indenture Act.....	58
SECTION 10.13.	Acceptance of Terms of Trust Agreement, Guarantee and Indenture.....	58
EXHIBIT A	Certificate of Trust	
EXHIBIT B	Certificate Depository Agreement	
EXHIBIT C	Common Securities Certificate	
EXHIBIT D	Expense Agreement	
EXHIBIT E	Preferred Securities Certificate	

HL&P CAPITAL TRUST \_\_\_\_

Certain Sections of this Trust Agreement relating to  
Sections 310 through 318 of the  
Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
-----	-----
((S)) 310 (a)(1).....	8.7
(a)(2).....	8.7
(a)(3).....	8.9
(a)(4).....	2.7(a)(ii)
(b).....	8.8
((S)) 311 (a).....	8.13
(b).....	8.13
((S)) 312 (a).....	5.7
(b).....	5.7
(c).....	5.7
((S)) 313 (a).....	8.15(a)
(a)(8).....	8.15(b)
(b).....	8.15(b)
(c).....	10.10
(d).....	8.15(c)
((S)) 314 (a).....	8.16
(b).....	Not Applicable
(c)(1).....	8.17
(c)(2).....	8.17
(c)(3).....	Not Applicable
(d).....	Not Applicable
(e).....	1.1, 8.17
((S)) 315 (a).....	8.1(a), 8.3(a)
(b).....	8.2, 10.10
(c).....	8.1(d)
(d).....	8.1, 8.3
(e).....	Not Applicable
((S)) 316 (a).....	Not Applicable
(a)(1)(A).....	Not Applicable
(a)(1)(B).....	Not Applicable
(a)(2).....	Not Applicable
(b).....	5.14
(c).....	6.7
((S)) 317 (a)(1).....	Not Applicable
(a)(2).....	Not Applicable
(b).....	5.9
((S)) 318 (a).....	10.12
-----	

Note: This reconciliation and tie sheet shall not, for any purpose, be deemed to be a part of the Trust Agreement.

AMENDED AND RESTATED TRUST AGREEMENT, dated as of January \_\_, 1997, among (a) Houston Lighting & Power Company, a Texas corporation (including any successors or assigns, the "Depositor"), (b) The Bank of New York, a New York banking corporation, as property trustee (in each such capacity, the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Property Trustee, the "Bank"), (c) The Bank of New York (Delaware), a Delaware banking corporation, as Delaware trustee (the "Delaware Trustee"), (d) \_\_\_\_\_, an individual, and \_\_\_\_\_, an individual, each of whose address is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899 (each an "Administrative Trustee" and collectively the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees referred to collectively as the "Trustees") and (v) the several Holders, as hereinafter defined.

WITNESSETH

WHEREAS, the Depositor and the Delaware Trustee have heretofore duly declared and created a business trust pursuant to the Delaware Business Trust Act by entering into that certain Trust Agreement, dated as of January 10, 1997 (the "Original Trust Agreement"), and by the execution and filing by the Delaware Trustee with the Secretary of State of the State of Delaware of the Certificate of Trust, filed on January 10, 1997, attached as Exhibit A; and

WHEREAS, the Depositor and the Trustees desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (a) the issuance of the Common Securities by the Trust to the Depositor, (b) the issuance and sale of the Preferred Securities by the Trust pursuant to the Underwriting Agreement, (c) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Debentures and (d) the appointment of the Property Trustee and the Administrative Trustees;

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Securityholders, hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

ARTICLE I.

Defined Terms

SECTION 1.1. Definitions.

For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 6.8.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, the amount of Additional Interest (as defined in the Indenture) paid by the Depositor on Debentures having a principal amount equal to such Liquidation Amount for such period.

"Additional Sums" has the meaning specified in Section 10.6 of the Indenture.

"Administrative Trustee" means each of the Persons identified as an "Administrative Trustee" in the preamble to this Trust Agreement solely in such Person's capacity as Administrative Trustee of the Trust formed and continued hereunder and not in such Person's individual capacity, or such Administrative Trustee's successor in interest in such capacity, or any successor trustee appointed as herein provided.

"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.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(a) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any

substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(b) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of such Person or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by such Person in furtherance of any such action.

"Bankruptcy Laws" has the meaning specified in Section 10.11.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors, or such committee of the Board of Directors or officers of the Depositor to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustees.

"Book-Entry Preferred Securities Certificates" means a beneficial interest in the Preferred Securities Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 5.11.

"Business Day" means a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed, or (c) a day on which the Property Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"Certificate Depository Agreement" means the agreement among the Trust, the Property Trustee and The Depository Trust Company, as the initial Clearing Agency, dated as of the Closing Date, relating to the Trust Securities Certificates, substantially in the form attached as Exhibit B, as the same may be amended and supplemented from time to time.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository Trust Company will be the initial Clearing Agency.

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

"Closing Date" means the Time of Delivery, as defined in the Underwriting Agreement.

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

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities Certificate" means a certificate evidencing ownership of Common Securities, substantially in the form attached as Exhibit C.

"Common Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Corporate Trust Office" means, (a) when used with respect to the Property Trustee, the principal corporate trust office of the Property Trustee located at 101 Barclay Street, Floor 21 West, New York, New York 10286, and, (b) when used with respect to the Debenture Trustee, the principal corporate trust office of the Debenture Trustee located in New York, New York.

"Debenture Event of Default" means an "Event of Default" as defined in the Indenture.

"Debenture Redemption Date" means, with respect to any Debentures to be redeemed under the Indenture, the date fixed for redemption under the Indenture.

"Debenture Trustee" means The Bank of New York, a New York banking corporation, and any successor thereto.

"Debentures" means the aggregate principal amount of the Depositor's \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_, or any debentures or other indebtedness of the Depositor issued in exchange for such \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series \_\_, in either case as issued pursuant to the Indenture.

"Definitive Preferred Securities Certificates" means either or both (as the context requires) of (a) Preferred Securities Certificates issued as Book-Entry Preferred Securities Certificates as provided in Section 5.11(a), and (b) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.13.

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

"Delaware Trustee" means the Person identified as the "Delaware Trustee" in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Depositor" has the meaning specified in the preamble to this Trust Agreement.

"Direct Action" has the meaning specified in Section 5.14(c).

"Distribution Date" has the meaning specified in Section 4.1(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.1.

"Early Termination Event" has the meaning specified in Section 9.2.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of a Debenture Event of Default; or

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

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

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in the performance or breach of which is dealt with in clause (b) or (c) above) and continuation of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the defaulting Trustee or Trustees and to the Depositor by the Holders of at least 25% in aggregate Liquidation Amount of the Outstanding Preferred Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the occurrence of a Bankruptcy Event with respect to the Trust.

"Expense Agreement" means the Agreement as to Expenses and Liabilities between the Depositor and the Trust, substantially in the form attached as Exhibit D, as amended from time to time.

"Expiration Date" has the meaning specified in Section 9. 1.

"Guarantee" means the Guarantee Agreement, dated as of January \_\_, 1997, between the Depositor, as the holder of all the Common Securities, and The Bank of New York, a New York banking corporation, as guarantee trustee, for the benefit of the Holders of the Trust Securities, as amended from time to time.

"Holder" has the meaning specified in the definition of the term "Securityholder."

"Indenture" means the Junior Subordinated Indenture, dated as of January \_\_, 1997, between the Depositor and the Debenture Trustee, as trustee, as amended or supplemented from time to time.

"Legal Action" has the meaning specified in Section 2.7(a)(i)(D).

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (a) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount equal to the principal amount of Debentures to be contemporaneously redeemed in accordance with the Indenture the proceeds of which will be used to pay the Redemption Price of such Trust Securities, and (b) with respect to a distribution of Debentures to Holders of Trust Securities in connection with a dissolution and winding up of the Trust, Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Debentures are distributed.

"Liquidation Amount" means the stated amount of \$25 per Trust Security.

"Liquidation Date" means the date on which Debentures are to be distributed to Holders of Trust Securities in connection with a dissolution and winding up of the Trust pursuant to Section 9.4(a).

"Liquidation Distribution" has the meaning specified in Section 9.4(d).

"1940 Act" means the Investment Company Act of 1940, as amended.

"Officers' Certificate" means a certificate signed by the Chairman and Chief Executive Officer, President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 8.17 shall be the principal executive, financial or accounting officer of the Depositor. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement 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 Depositor, which may be an employee of the Depositor 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 Trust Agreement" has the meaning specified in the recitals hereto.

"Outstanding," when used with respect to Trust Securities, means, as of the date of determination, all Trust Securities theretofore executed and delivered under this Trust Agreement, except:

(a) Trust Securities theretofore canceled by the Securities Registrar or delivered to the Securities Registrar for cancellation;

(b) Trust Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Trust Securities; provided that, if such Trust Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(c) Trust Securities which have been paid or in exchange for or in lieu of which other Preferred Securities have been executed and delivered pursuant to Sections 5.4, 5.5, 5.11 and 5.13;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Securities owned by the Depositor, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities that a Responsible Officer of such Trustee actually knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned

by the Depositor, one or more of the Trustees and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to act with respect to such Preferred Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of a Book-Entry Preferred Securities Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency (directly or indirectly, in accordance with the rules of such Clearing Agency).

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.9, and shall initially be the Bank.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee with the Bank in its Global Trust Services Office for the benefit of the Securityholders in which all amounts paid in respect of the Debentures will be held and from which the Property Trustee, through the Paying Agent, shall make payments to the Securityholders in accordance with Sections 4.1 and 4.2.

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

"Preferred Security" means an undivided beneficial interest in the assets of the Trust, having a Liquidation Amount of \$25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Preferred Securities Certificate" means a certificate evidencing ownership of Preferred Securities, substantially in the form attached as Exhibit E.

"Property Trustee" means the Person identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust heretofore formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Debenture Redemption Date and the stated maturity of the Debentures shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any Trust Security, the Liquidation Amount of such Trust Security, plus accumulated and unpaid Distributions (including Additional Amounts, if applicable) to the Redemption Date, plus the

related amount of the premium, if any, paid by the Depositor upon the concurrent redemption of a Like Amount of Debentures, allocated on a pro rata basis (based on Liquidation Amounts) among the Trust Securities.

"Relevant Trustee" shall have the meaning specified in Section 8.10.

"Responsible Officer" means, with respect to a Trustee, any Vice President, any Assistant Vice President, any Assistant Secretary, the Treasurer, any Assistant Treasurer or any other officer of the Corporate Trust Office of such Trustee, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 5.4.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Trust Securities is registered in the Securities Register; any such Person shall be deemed to be a beneficial owner within the meaning of the Delaware Business Trust Act; provided, however, that in determining whether the Holders of the requisite amount of Preferred Securities have voted on any matter provided for in this Trust Agreement, then for the purpose of any such determination, so long as Definitive Preferred Securities Certificates have not been issued, the term "Securityholders" or "Holders" as used herein shall refer to the Owners.

"Trust" means the Delaware business trust created and continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including (a) all exhibits hereto and (b) for all purposes of this Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Trust Agreement and any such modification, amendment or supplement, respectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (a) the Debentures, (b) the rights of the Property Trustee under the Expense Agreement, (c) any cash on deposit in, or owing to, the Payment Account and (d) all proceeds and rights in respect of the foregoing, and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to the terms of this Trust Agreement.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trustees" means the Persons identified as "Trustees" in the preamble to this Trust Agreement solely in their capacities as Trustees of the Trust formed and continued hereunder and not in their individual capacities, or their successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Underwriting Agreement" means the Underwriting Agreement, dated January \_\_, 1997, among the Trust, the Depositor and the underwriters named therein.

## ARTICLE II.

### Establishment of the Trust

#### SECTION 2.1. Name.

The Trust continued hereby shall be known as "HL&P Capital Trust \_\_," as such name may be modified from time to time by the Administrative Trustees following written notice to the Holders of Trust Securities and the other Trustees, in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Administrative Trustees may change the name of the Trust from time to time following written notice to the Holders.

#### SECTION 2.2. Office of the Delaware Trustee; Principal Place of Business; Agents for Service of Process.

The address of the Delaware Trustee in the State of Delaware is The Bank of New York (Delaware), White Clay Center, Route 273, Newark, Delaware, 19711, Attention: Corporate Trust Department, or such other address in the State of Delaware as the Delaware Trustee may designate by written notice to the Securityholders and the Depositor. The principal executive office of the Trust is 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899. All agents for service of process for the Trust shall be located outside the State of Texas.

#### SECTION 2.3. Initial Contribution of Trust Property; Organizational Expenses.

The Property Trustee acknowledges receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of \$10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of any Trustee, promptly reimburse such Trustee for any such expenses paid by such Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

SECTION 2.4. Issuance of the Preferred Securities.

On January \_\_, 1997, the Depositor, on behalf of the Trust and pursuant to the Original Trust Agreement, executed and delivered the Underwriting Agreement. On the Closing Date, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 5.2 and deliver in accordance with Section 5.11 Preferred Securities Certificates, registered in the name of the nominee of the initial Clearing Agency, in an aggregate amount of \_\_\_\_\_ Preferred Securities having an aggregate Liquidation Amount of \$\_\_\_\_\_, against receipt of such aggregate purchase price of such Preferred Securities of \$\_\_\_\_\_, which amount the Administrative Trustee shall promptly deliver to the Property Trustee.

SECTION 2.5. Issuance of the Common Securities; Subscription and Purchase of Debentures.

On the Closing Date, an Administrative Trustee, on behalf of the Trust, shall execute in accordance with Section 5.2 and deliver to the Depositor Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of \_\_\_\_\_ Common Securities having an aggregate Liquidation Amount of \$\_\_\_\_\_ against payment by the Depositor of such amount, which amount such Administrative Trustee shall promptly deliver to the Property Trustee. Contemporaneously therewith, an Administrative Trustee, on behalf of the Trust, shall subscribe to and purchase from the Depositor Debentures, registered in the name of the Trust and having an aggregate principal amount equal to \$\_\_\_\_\_, and, in satisfaction of the purchase price for such Debentures, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor the sum of \$\_\_\_\_\_ (being the sum of the amounts delivered to the Property Trustee pursuant to (a) the second sentence of Section 2.4 and (b) the first sentence of this Section 2.5).

SECTION 2.6. Declaration of Trust.

The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures, and (b) to engage in those activities necessary, convenient or incidental thereto. The Depositor hereby appoints the Trustees as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein, and the Trustees hereby accept such appointment. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Trust and the Securityholders. The Administrative Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. 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 Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees of the Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act and for taking such actions as are required to be taken by a Delaware trustee under the Delaware Business Trust Act.

SECTION 2.7. Authorization to Enter into Certain Transactions.

(a) The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph (b) of this Section, Article VIII and in accordance with the following provisions (i) and (ii), the Trustees shall have the authority to enter into all transactions and agreements determined by the Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the following:

(i) As among the Trustees, the Administrative Trustees, acting singly or jointly, shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(A) to acquire the Debentures with the proceeds of the sale of the Trust Securities; provided, however, the Administrative 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 Trust and the Securityholders;

(B) to give the Depositor and the Property Trustee prompt written notice of the occurrence of any Special Event (as defined in the Indenture) and to take any ministerial actions in connection therewith; provided, that the Administrative Trustees shall consult with the Depositor and the Property Trustee before taking or refraining to take any ministerial action in relation to a Special Event;

(C) 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 the Securityholders as to such actions and applicable record dates;

(D) 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 2.7(a)(ii)(E), the Property Trustee has the power to bring such Legal Action;

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

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

(G) 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 Administrative Trustee;

(H) to take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of this Trust Agreement;

(I) to take all action that 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 Securityholders or to enable the Trust to effect the purposes for which the Trust has been created;

(J) to take all action 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 Administrative Trustees, on behalf of the Trust;

(K) to issue and sell the Trust Securities;

(L) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, the Expense Agreement and the Certificate Depository Agreement and such other agreements as may be necessary or desirable in connection with the purposes and function of the Trust;

(M) to assist in the registration of the Preferred Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(N) to assist in the listing, if any, of the Preferred Securities upon such securities exchange or exchanges or automated quotation system or systems as shall be determined by the Depositor and the registration of the Preferred Securities under the Securities Exchange Act of 1934, as amended, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(O) to send notices (other than notices of default) and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;

(P) to appoint a Paying Agent, authenticating agent and Securities Registrar in accordance with this Trust Agreement;

(Q) to register transfers of the Trust Securities in accordance with this Trust Agreement;

(R) in connection with the winding up of the affairs of and liquidation of the Trust, to prepare, execute and file, together with the Property Trustee, the certificate of cancellation with the Secretary of State of the State of Delaware;

(S) to execute and deliver any closing certificates pursuant to the Underwriting Agreement and to make application for a taxpayer identification number for the Trust;

(T) unless otherwise determined by the Depositor, the Property Trustee or the Administrative Trustees, or as otherwise required by the Delaware Business Trust Act or the Trust Indenture Act, to execute on behalf of the Trust (either acting alone or together with any or all of the Administrative Trustees) any documents that the Administrative Trustees have the power to execute pursuant to this Trust Agreement; and

(U) to take any action incidental to the foregoing as the Trustees may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

(ii) As among the Trustees, the Property Trustee shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

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

(B) upon notice of distribution issued by the Administrative Trustees in accordance with the terms of this Trust Agreement, to engage in such ministerial activities as shall be necessary or appropriate to effect promptly the distribution pursuant to terms of this Trust Agreement of Debentures to Securityholders;

(C) subject to the terms hereof, exercise all of the rights, powers and privileges of a holder of the Debentures under the Indenture and, if a Debenture Event of Default occurs and is continuing, shall enforce for the benefit of, and subject to the rights of, the Securityholders, its rights as holder of the Debentures under the Indenture;

(D) take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of this Trust Agreement;



(E) take any Legal Action specifically required of the Property Trustee pursuant to the terms of this Trust Agreement which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Trust Agreement, the Delaware Business Trust Act or the Trust Indenture Act;

(F) the establishment and maintenance of the Payment Account;

(G) the receipt of and holding of legal title to the Debentures as described herein;

(H) the establishment of the Payment Account;

(I) the receipt of the Debentures;

(J) the collection of interest, principal and any other payments made in respect of the Debentures and the holding of such amounts in the Payment Account;

(K) the distribution through the Paying Agent of amounts owed to the Securityholders in respect of the Trust Securities;

(L) the exercise of all of the rights, powers and privileges of a holder of the Debentures;

(M) the sending of notices of default and other information regarding the Trust Securities and the Debentures to the Securityholders in accordance with this Trust Agreement;

(N) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(O) to the extent provided in this Trust Agreement, the winding up of the affairs of and liquidation of the Trust and, the execution of the certificate of cancellation with the Secretary of State of the State of Delaware;

(P) after an Event of Default (other than under paragraph (b), (c), (d) or (e) of the definition of such term if such Event of Default is by or with respect to the Property Trustee) the taking of any action incidental to the foregoing as the Property Trustee may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement and protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder); and

(P) except as otherwise provided in this Section 2.7(a)(ii), the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrative Trustees set forth in Section 2.7(a)(i).

(b) So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein, (iii) take any action that would cause the Trust to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money or issue any other debt, (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property, (vi) issue any securities other than the Trust Securities, (vii) have any power to, or agree to any action by the Depositor that would, vary the investment (within the meaning of Treasury Regulation Section 301.7701-4(c)) of the Trust or of the Securityholders or (viii) on or after the date hereof, enter into any contract or agreement for or on behalf of the Trust (other than the Certificate Depository Agreement or any other depository agreement or any agreement with any securities exchange or automated quotation system) that does not expressly provide that the Holders of the Preferred Securities, in their capacities as such, have limited liability (in accordance with the provisions of the Delaware Business Trust Act) for the liabilities and obligations of the Trust, which express provision may be in 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". The Administrative Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders. All actions taken by the Administrative Trustees will be taken outside of the State of Texas.

(c) In connection with the issue and sale of the Preferred Securities, the Depositor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor or the Trust in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects without any further act, vote or approval of any Person notwithstanding any other provision of this Agreement, the Delaware Business Trust Act or other applicable law, rule or regulation):

(i) the preparation and filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on the appropriate form in relation to the Preferred Securities, the Debentures and the Guarantee, and certain other securities which could have been issued in lieu of the Preferred Securities, including any amendments thereto;

(ii) the determination of the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and the determination of any and all such acts, other than actions which must be taken by or on behalf of the Trust, and the advice to the Trustees of actions they must take on behalf of the Trust, and the preparation for execution and filing of any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such states;

(iii) if deemed desirable by the Depositor, the preparation for filing by the Trust and execution on behalf of the Trust of an application to the New York Stock Exchange or

any other national stock exchange or the Nasdaq National Market or any other automated quotation system for listing upon notice of issuance of any Preferred Securities and filing with such exchange or self-regulatory organization such notifications and documents as may be necessary from time to time to maintain such listing;

(iv) if required, the preparation for filing by the Trust with the Commission and the execution on behalf of the Trust of a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) or 12(g) of the Exchange Act, including any amendments thereto;

(v) the negotiation of the terms of, the execution and delivery of, and the performance of its obligations under, the Underwriting Agreement providing for the sale of the Preferred Securities; and

(vi) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrative Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act, or to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes and so that the Debentures will be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, the Depositor and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Trust Agreement, that each of the Depositor and any Administrative Trustee determines in its discretion to be necessary or desirable for such purposes, as long as such action does not adversely affect in any material respect the interests of the Holders of the Preferred Securities.

#### SECTION 2.8. Assets of Trust.

The assets of the Trust shall consist of the Trust Property.

#### SECTION 2.9. Title to Trust Property.

Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee in trust for the benefit of the Trust and the Securityholders in accordance with this Trust Agreement. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may thereafter be appointed as Property Trustee in accordance with the terms hereof. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

ARTICLE III.

Payment Account

SECTION 3.1. Payment Account.

(a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and any agent of the Property Trustee shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Securityholders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal of or interest (including any Additional Interest, as defined in the Indenture) or premium or Additional Sums on, and any other payments or proceeds with respect to, the Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV.

Distributions; Redemption

SECTION 4.1. Distributions.

(a) The Trust Securities represent undivided beneficial interests in the Trust Property, and Distributions (including any Additional Amounts) will be made on the Trust Securities at the rate and on the dates that payments of interest (including any Additional Interest, as defined in the Indenture) are made on the Debentures. Accordingly:

(i) Distributions on the Trust Securities shall be cumulative, and will accumulate whether or not there are funds of the Trust available for the payment of Distributions. Distributions shall accumulate from \_\_\_\_\_, 199\_, and, except in the event (and to the extent) that the Depositor exercises its right to defer the payment of interest on the Debentures pursuant to the Indenture, shall (assuming that payments of interest on the Debentures are made when due) be payable quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199\_. If any date on which a Distribution is otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall 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, payment of such Distribution

shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date (each date on which Distributions are payable in accordance with this Section 4.1(a), a "Distribution Date").

(ii) Assuming payments of interest on the Debentures are made when due (and before giving effect to Additional Amounts, if applicable), Distributions on the Trust Securities shall be payable at a rate of \_\_\_\_\_% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any full Distribution period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the number of days elapsed in a partial month. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(iii) Distributions on the Trust Securities shall be made by the Property Trustee from the Payment Account and shall be payable on each Distribution Date only to the extent that the Trust has funds then on hand and available in the Payment Account for the payment of such Distributions.

(b) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on the Business Day immediately preceding such Distribution Date; provided, however, that in the event that the Preferred Securities do not remain in book-entry-only form, the relevant record date shall be the close of business on the [first] [fifteenth] day of the month [of] [immediately preceding] the relevant Distribution Date (whether or not such record date is a Business Day).

#### SECTION 4.2. Redemption.

(a) On each Debenture Redemption Date and on the stated maturity of the Debentures, the Trust will be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Security Register. All notices of redemption shall state:

- (i) the Redemption Date;
- (ii) the Redemption Price;
- (iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the aggregate Liquidation Amount of the particular Trust Securities to be redeemed;

(v) that on the Redemption Date the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accumulate on and after said date; and

(vi) if the Preferred Securities are no longer in book-entry-only form, the place and address where the Holders shall surrender their Preferred Securities Certificates.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Trust has funds then on hand and available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 12:00 noon, New York City time, on the Redemption Date, subject to Section 4.2(c), the Property Trustee will, so long as the Preferred Securities are in book-entry-only form, irrevocably deposit with the Clearing Agency for the Preferred Securities funds sufficient to pay the applicable Redemption Price, and an Administrative Trustee or the Property Trustee will give such Clearing Agency irrevocable instructions and authority to pay the Redemption Price to the Holders thereof. If the Preferred Securities are no longer in book-entry-only form, the Property Trustee, subject to Section 4.2(c), will irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the Holders thereof upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Securityholders holding Trust Securities so called for redemption will cease, except the right of such Securityholders to receive the Redemption Price and any Distribution payable on or prior to the Redemption Date, but without interest thereon, and such Trust Securities will cease to be outstanding. In the event that any date on which any Redemption Price is payable 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. In the event that payment of the Redemption Price in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee,

Distributions on such Trust Securities will continue to accumulate, at the then applicable rate, from the Redemption Date originally established by the Trust for such Trust Securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price.

(e) Payment of the Redemption Price on the Trust Securities shall be made to the recordholders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on the Business Day immediately preceding the relevant Redemption Date; provided, however, that in the event that the Preferred Securities do not remain in book-entry-only form, the relevant record date shall be the close of business on the date fifteen days prior to the relevant Redemption Date.

(f) Subject to Section 4.3(a), if less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated on a pro rata basis (based on Liquidation Amounts) among the Common Securities and the Preferred Securities. The particular Preferred Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Securities not previously called for redemption, by lot or by such other method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$25 or an integral multiple of \$25 in excess thereof) of the Liquidation Amount of Preferred Securities of a denomination larger than \$25. The Property Trustee shall promptly notify the Security Registrar in writing of the Preferred Securities selected for redemption and, in the case of any Preferred Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Securities shall relate, in the case of any Preferred Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Securities that has been or is to be redeemed.

#### SECTION 4.3. Subordination of Common Securities.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, the Trust Securities, as applicable, shall be made among the Common Securities and the Preferred Securities based on the Liquidation Amount of the Trust Securities pursuant to Section 4.2(f); provided, however, that if on any Distribution Date or Redemption Date any Event of Default resulting from a Debenture Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all Distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price, the full amount of such Redemption Price on all Outstanding Preferred Securities then called for redemption, shall have been made or provided for,

and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or the Redemption Price of, Preferred Securities then due and payable.

(b) In the case of the occurrence of any Event of Default resulting from any Debenture Event of Default, the Holder of Common Securities will be deemed to have waived any right to act with respect to any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated. Until any such Event of Default under this Trust Agreement with respect to the Preferred Securities has been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Securities and not the Holder of the Common Securities, and only the Holders of the Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

#### SECTION 4.4. Payment Procedures.

Payments of Distributions (including Additional Amounts, if applicable) in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency in immediately available funds, which shall credit the relevant Persons' accounts at such Clearing Agency on the applicable Distribution Dates. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Common Securityholder.

#### SECTION 4.5. Tax Returns and Reports.

The Administrative Trustees shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. In this regard, the Administrative Trustees shall (a) prepare and file (or cause to be prepared and filed) the appropriate Internal Revenue Service form required to be filed in respect of the Trust in each taxable year of the Trust and (b) prepare and furnish (or cause to be prepared and furnished) to each Securityholder the appropriate Internal Revenue Service form and the information required to be provided on such form. The Administrative Trustees shall provide the Depositor and the Property Trustee with a copy of all such returns and reports promptly after such filing or furnishing. The Trustees shall comply with United States federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Securityholders under the Trust Securities.

#### SECTION 4.6. Payment of Taxes, Duties, Etc. of the Trust.

Upon receipt under the Debentures of Additional Sums, the Property Trustee shall promptly pay any taxes, duties or governmental charges of whatsoever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority; provided, however, that



under no circumstances shall the Property Trustee have any liability for such sums, including non-receipt of any Additional Sums under the Debentures.

SECTION 4.7. Payments under Indenture or Pursuant to Direct Actions.

Any amount payable hereunder to any Holder of Preferred Securities (and any Owner with respect thereto) shall be reduced by the amount of any corresponding payment such Holder (and Owner) has directly received pursuant to Section 5.8 of the Indenture or Section 5.14 of this Trust Agreement.

ARTICLE V.

Trust Securities Certificates

SECTION 5.1. Initial Ownership.

Upon the formation of the Trust and the contribution by the Depositor pursuant to Section 2.3 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

SECTION 5.2. The Trust Securities Certificates.

The Preferred Securities Certificates shall be issued in minimum denominations of \$25 Liquidation Amount and integral multiples of \$25 in excess thereof, and the Common Securities Certificates shall be issued in denominations of \$25 Liquidation Amount and integral multiples thereof. The Trust Securities Certificates shall be executed on behalf of the Trust by manual signature of at least one Administrative Trustee. Trust Securities Certificates bearing the manual signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Sections 5.4, 5.11 and 5.13.

SECTION 5.3. Execution and Delivery of Trust Securities Certificates.

On the Closing Date, the Administrative Trustees shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.4 and 2.5, to be executed on behalf of the Trust and delivered to or upon the written order of the Depositor, signed by its chairman of the board and chief executive officer, its president, any executive vice president, any senior vice

president or any vice president, treasurer or assistant treasurer or controller without further corporate action by the Depositor, in authorized denominations.

SECTION 5.4. Registration of Transfer and Exchange of Preferred Securities Certificates.

The Depositor shall keep or cause to be kept, at the office or agency maintained pursuant to Section 5.8, a register or registers for the purpose of registering Trust Securities Certificates and transfers and exchanges of Preferred Securities Certificates (the "Securities Register") in which the registrar designated by the Depositor (the "Securities Registrar"), subject to such reasonable regulations as it may prescribe, shall provide for the registration of Preferred Securities Certificates and Common Securities Certificates (subject to Section 5.10 in the case of the Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. The Bank shall be the initial Securities Registrar.

Upon surrender for registration of transfer of any Preferred Securities Certificate at the office or agency maintained pursuant to Section 5.8, the Administrative Trustees or any one of them shall execute and deliver, in the name of the designated transferee or transferees, one or more new Preferred Securities Certificates in authorized denominations of a like aggregate Liquidation Amount dated the date of execution by such Administrative Trustee or Trustees.

The Securities Registrar shall not be required to register the transfer of any Preferred Securities that have been called for redemption. The Administrative Trustee shall not be required to issue, transfer or exchange any Preferred Securities that have been called for redemption. At the option of a Holder, Preferred Securities Certificates may be exchanged for other Preferred Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 5.8.

Every Preferred Securities Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to an Administrative Trustee and the Securities Registrar duly executed by the Holder or his attorney duly authorized in writing. Each Preferred Securities Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by an Administrative Trustee in accordance with such Person's customary practice.

No service charge shall be made for any registration of transfer or exchange of Preferred Securities Certificates, but the Securities Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities Certificates.

SECTION 5.5. Mutilated, Destroyed, Lost or Stolen Trust Securities Certificates.

If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction,

loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees, or any one of them, on behalf of the Trust, shall execute and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrative Trustees or the Securities Registrar 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 Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an undivided beneficial interest in the assets of the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

#### SECTION 5.6. Persons Deemed Securityholders.

The Trustees and the Securities Registrar shall treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions and for all other purposes whatsoever, and neither the Trustees nor the Securities Registrar shall be bound by any notice to the contrary.

SECTION 5.7. Access to List of Securityholders' Names and Addresses. The Administrative Trustees or the Depositor shall furnish or cause to be furnished (a) to the Property Trustee, semiannually, not more than 15 days after \_\_\_\_\_ and \_\_\_\_\_ in each year, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Securityholders as of such \_\_\_\_\_ and \_\_\_\_\_ and (b) to the Property Trustee, promptly after receipt by any Administrative Trustee or the Depositor of a request therefor from the Property Trustee in order to enable the Property Trustee, to discharge its obligations under this Trust Agreement, in each case to the extent such information is in the possession or control of the Administrative Trustees or the Depositor and is not identical to a previously supplied list or has not otherwise been received by the Property Trustee in its capacity as Securities Registrar. The rights of Securityholders to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities, and the corresponding rights of the Trustee, shall be as provided in the Trust Indenture Act. Each Holder, by receiving and holding a Trust Securities Certificate, and each Owner shall be deemed to have agreed not to hold the Depositor, the Property Trustee, the Delaware Trustee or the Administrative Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

SECTION 5.8. Maintenance of Office or Agency.

The Administrative Trustees shall maintain an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustees in respect of the Trust Securities Certificates may be served. The Administrative Trustees initially designate The Bank of New York, 101 Barclay Street, Floor 21 West, New York, New York 10286, Attn.: Corporate Trust Trustee Administration, as its principal corporate trust office for such purposes. The Administrative Trustees shall give prompt written notice to the Depositor, the Bank and the Securityholders of any change in the location of the Securities Register or any such office or agency.

SECTION 5.9. Appointment of Paying Agent.

The Paying Agent shall make Distributions to Securityholders from the Payment Account and shall report the amounts of such Distributions to the Property Trustee and the Administrative Trustees. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account solely for the purpose of making the Distributions referred to above. The Administrative Trustees may revoke such power and remove the Paying Agent if such Trustees determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Trust Agreement in any material respect. The Paying Agent shall initially be the Bank, and any co-paying agent chosen by the Bank, and acceptable to the Administrative Trustees and the Depositor. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees, the Property Trustee and the Depositor. In the event that the Bank shall no longer be the Paying Agent or a successor Paying Agent shall resign or its authority to act be revoked, the Administrative Trustees shall appoint a successor that is acceptable to the Property Trustee and the Depositor to act as Paying Agent (which shall be a bank or trust company). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.1, 8.3 and 8.6 herein shall apply to the Bank also in its role as Paying Agent, for so long as the Bank shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

SECTION 5.10. Ownership of Common Securities by Depositor.

On the Closing Date, the Depositor shall acquire and retain beneficial and record ownership of the Common Securities. The Holder of the Common Securities may not transfer the Common Securities except (a) in connection with a consolidation or merger of the Depositor into any other Person, or any

conveyance, transfer or lease by the Depositor of its properties and assets substantially as an entirety to any Person, pursuant to Section 8.1 of the Indenture, or (b) to the Depositor or an Affiliate thereof in compliance with applicable law (including the Securities Act of 1933, as amended, and applicable state securities and blue sky laws), and in either case only upon an effective assignment and delegation by the Holder of the Common Securities to its transferee of all of its rights and obligations under the Expense Agreement. To the fullest extent permitted by law, any attempted transfer of the Common Securities other than as set forth in the next preceding sentence shall be void. The Administrative Trustees shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating substantially "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO THE DEPOSITOR OR AN AFFILIATE OF THE DEPOSITOR IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.10 OF THE TRUST AGREEMENT AND ONLY IN CONNECTION WITH A SIMULTANEOUS DELEGATION AND ASSIGNMENT OF THE EXPENSE AGREEMENT REFERRED TO THEREIN."

SECTION 5.11. Book-Entry Preferred Securities Certificates; Common Securities Certificate.

(a) The Preferred Securities Certificates, upon original issuance, will be issued in the form of a typewritten Preferred Securities Certificate or Certificates representing Book-Entry Preferred Securities Certificates, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Trust. Such Preferred Securities Certificate or Certificates shall initially be registered on the Securities Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Owner will receive a Definitive Preferred Securities Certificate representing such Owner's interest in such Preferred Securities, except as provided in Section 5.13. Unless and until Definitive Preferred Securities Certificates have been issued to Owners pursuant to Section 5.13:

(i) the provisions of this Section 5.11(a) shall be in full force and effect;

(ii) the Securities Registrar and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Trust Agreement relating to the Book-Entry Preferred Securities Certificates (including the payment of the Liquidation Amount of and Distributions on the Preferred Securities evidenced by Book-Entry Preferred Securities Certificates and the giving of instructions or directions to Owners of Preferred Securities evidenced by Book-Entry Preferred Securities Certificates) as the sole Holder of Preferred Securities evidenced by Book-Entry Preferred Securities Certificates and shall have no obligations to the Owners thereof;

(iii) to the extent that the provisions of this Section 5.11 conflict with any other provisions of this Trust Agreement, the provisions of this Section 5.11 shall control; and

(iv) the rights of the Owners of the Book-Entry Preferred Securities Certificates shall be exercised only through the Clearing Agency and shall be limited to those established

by law and agreements between such Owners and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Certificate Depository Agreement, unless and until Definitive Preferred Securities Certificates are issued pursuant to Section 5.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments on the Preferred Securities to such Clearing Agency Participants.

(b) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

#### SECTION 5.12. Notices to Clearing Agency.

To the extent that a notice or other communication to the Owners is required under this Trust Agreement, unless and until Definitive Preferred Securities Certificates shall have been issued to Owners pursuant to Section 5.13, the Trustees shall give all such notices and communications specified herein to be given to Owners to the Clearing Agency, and shall have no obligations to the Owners.

#### SECTION 5.13. Definitive Preferred Securities Certificates.

If (a) the Depositor advises the Trustees in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Preferred Securities Certificates, and the Depositor is unable to locate a qualified successor, (b) the Depositor at its option advises the Trustees in writing that it elects to terminate the book-entry system through the Clearing Agency or (c) after the occurrence of a Debenture Event of Default, Owners of Preferred Securities Certificates representing beneficial interests aggregating at least a majority of the Liquidation Amount advise the Administrative Trustees in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interest of the Owners of Preferred Securities Certificates, then the Administrative Trustees shall notify the Clearing Agency and the other Trustees and the Clearing Agency shall notify all Owners of Preferred Securities Certificates of the occurrence of any such event and of the availability of the Definitive Preferred Securities Certificates to Owners of such class or classes, as applicable, requesting the same. Upon surrender to the Administrative Trustees of the typewritten Preferred Securities Certificate or Certificates representing the Book-Entry Preferred Securities Certificates by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees, or any one of them, shall execute the Definitive Preferred Securities Certificates in accordance with the instructions of the Clearing Agency. Neither the Securities Registrar nor the Trustees shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions. Upon the issuance of Definitive Preferred Securities Certificates, the Trustees shall recognize the Holders of the Definitive Preferred Securities Certificates as Securityholders. The Definitive Preferred Securities Certificates shall be typewritten, printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees that meets the requirements of any stock exchange or automated quotation system on which the

Preferred Securities are then listed or approved for trading, as evidenced by the execution thereof by the Administrative Trustees or any one of them.

SECTION 5.14. Rights of Securityholders.

(a) The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.9, and the Securityholders shall not have any right or title therein other than the undivided beneficial interest in the assets of the Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property, giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or similar rights and, when issued and delivered to Securityholders against payment of the purchase price therefor, will be fully paid and nonassessable by the Trust. The Holders of the Trust 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.

(b) For so long as any Preferred Securities remain Outstanding, if, upon a Debenture Event of Default, the Debenture Trustee fails or the holders of not less than 25% in principal amount of the outstanding Debentures fail to declare the principal of all of the Debentures to be immediately due and payable as set forth in the Indenture, the Holders of at least 25% in Liquidation Amount of the Preferred Securities then Outstanding shall have the right to make such declaration by a notice in writing to the Depositor and the Debenture Trustee; and upon any such declaration such principal amount of and the accrued interest on all of the Debentures shall become immediately due and payable, provided that the payment of principal, premium and interest on such Debentures shall remain subordinated to the extent provided in the Indenture.

At any time after a declaration of acceleration with respect to the Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Debenture Trustee as in the Indenture provided, if the Property Trustee fails to annul any such declaration and waive such default, the Holders of a majority in Liquidation Amount of the Preferred Securities, by written notice to the Property Trustee, the Depositor and the Debenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Depositor has paid or deposited with the Debenture Trustee a sum sufficient to pay

(A) all overdue installments of interest (including any Additional Interest (as defined in the Indenture)) on all of the Debentures,

(B) the principal of (and premium, if any, on) any Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Debentures, and

(C) all sums paid or advanced by the Debenture Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Debenture Trustee and the Property Trustee, their agents and counsel; and

(ii) all Events of Default with respect to the Debentures, other than the nonpayment of the principal of the Debentures which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13 of the Indenture.

The holders of a majority in aggregate Liquidation Amount of the Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default under the Indenture, except a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Debenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Property Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, by Holders of the Preferred Securities all or part of which is represented by Book-Entry Preferred Securities Certificates, a record date shall be established for determining Holders of Outstanding Preferred Securities entitled to join in such notice, which record date shall be at the close of business on the day the Property Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that, unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 5.14(b).

(c) For so long as any Preferred Securities remain Outstanding, to the fullest extent permitted by law and subject to the terms of this Trust Agreement and the Indenture, upon a Debenture Event of Default specified in Section 5.1(1) or 5.1(2) of the Indenture, any Holder of Preferred Securities shall have the right to institute a proceeding directly against the Depositor, pursuant to Section 5.8 of the Indenture, for enforcement of payment to such Holder of any amounts payable in respect of Debentures having an aggregate principal amount equal to the aggregate Liquidation Amount of the Preferred Securities of such Holder (a "Direct Action"). Except as set forth in Section 5.14(b) and this Section 5.14(c), the Holders of Preferred Securities shall have no



right to exercise directly any right or remedy available to the holders of, or in respect of, the Debentures.

(d) Except as otherwise provided in paragraphs (a), (b) and (c) of this Section 5.14, the Holders of at least a majority in aggregate Liquidation Amount of the Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default or Event of Default and its consequences. Upon such waiver, any such default or Event of Default shall cease to exist, and any default or Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

#### SECTION 5.15 CUSIP Numbers.

The Trust in issuing the Preferred Securities may use "CUSIP" numbers (if then generally in use), and if so, the Property Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Preferred Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Preferred Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Depositor shall promptly notify the Property Trustee in writing of any change in CUSIP numbers.

### ARTICLE VI.

#### Acts of Securityholders; Meetings; Voting

##### SECTION 6.1. Limitations on Voting Rights.

(a) Except as expressly provided in this Trust Agreement and in the Indenture and as otherwise required by law, no Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association.

(b) So long as any Debentures are held by the Property Trustee, on behalf of the Trust, the Property Trustee shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or execute any trust or power conferred on the Property Trustee with respect to the Debentures, (ii) waive any past default that may be waived under Section 5.13 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least a majority in Liquidation Amount of all Outstanding Preferred Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior written consent of each Holder of Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities, except by a subsequent vote of the Holders of Preferred Securities. The Property Trustee shall notify all Holders of the Preferred Securities of any notice of default received from the Debenture Trustee with respect to the Debentures. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that such action shall not cause the Trust to be

classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

(c) If any proposed amendment to the Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect in any material respect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution and winding-up of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least a majority in Liquidation Amount of the Outstanding Preferred Securities. Notwithstanding any other provision of this Trust Agreement, no amendment to this Trust Agreement may be made if, as a result of such amendment, it would cause the Trust to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

#### SECTION 6.2. Notice of Meetings.

Notice of all meetings of the Preferred Securityholders, stating the time, place and purpose of the meeting, shall be given by the Property Trustee pursuant to Section 10.10 to each Preferred Securityholder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

#### SECTION 6.3. Meetings of Preferred Securityholders.

No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Preferred Securityholders to vote on any matter upon the written request of the Preferred Securityholders of record of at least 25% of the Outstanding Preferred Securities (based upon their Liquidation Amount) and the Administrative Trustees or the Property Trustee may, at any time in their discretion, call a meeting of Preferred Securityholders to vote on any matters as to which Preferred Securityholders are entitled to vote.

Preferred Securityholders of record of 50% of the Outstanding Preferred Securities (based upon their Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

If a quorum is present at a meeting, an affirmative vote by the Preferred Securityholders of record present, in person or by proxy, holding more than a majority of the Preferred Securities (based upon their Liquidation Amount) held by the Preferred Securities of record present, either in person or by proxy, at such meeting shall constitute the action of the Preferred Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

#### SECTION 6.4. Voting Rights.

Securityholders shall be entitled to one vote for each \$25 of Liquidation Amount represented by their Trust Securities in respect of any matter as to which such Securityholders are entitled to vote.

#### SECTION 6.5. Proxies, Etc.

At any meeting of Securityholders, any Securityholder entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Securityholders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

#### SECTION 6.6. Securityholder Action by Written Consent.

Any action which may be taken by Securityholders at a meeting may be taken without a meeting if Securityholders holding more than a majority of all Outstanding Trust Securities (based upon their Liquidation Amount) entitled to vote in respect of such action (or such larger proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing.

#### SECTION 6.7. Record Date for Voting and Other Purposes.

For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of a Distribution or other action, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

## SECTION 6.8. Acts of Securityholders.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders or Owners may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders or Owners in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to an Administrative Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders or Owners signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.1) conclusive in favor of the Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Trustee receiving the same deems sufficient.

The ownership of Trust Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents, each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise between the Securityholders and the Administrative Trustees or among such Securityholders or Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Securityholder or Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

A Securityholder may institute a legal proceeding directly against the Depositor under the Guarantee to enforce its rights under the Guarantee without first instituting a legal proceeding against the Trust or any person or entity.

#### SECTION 6.9. Inspection of Records.

Upon reasonable notice to the Administrative Trustees and the Property Trustee, the records of the Trust shall be open to inspection by Securityholders during normal business hours for any purpose reasonably related to such Securityholder's interest as a Securityholder.

### ARTICLE VII.

#### Representations and Warranties

SECTION 7.1. Representations and Warranties of the Property Trustee and the Delaware Trustee.

The Property Trustee and the Delaware Trustee, each severally on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Property Trustee is a New York banking corporation and is in good standing under the laws of the State of New York;

(b) the Property Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) the Delaware Trustee is a banking corporation duly organized, validly existing and in good standing in the State of Delaware;

(d) the Delaware Trustee has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(e) this Trust Agreement has been duly authorized, executed and delivered by the Property Trustee and the Delaware Trustee and constitutes the valid and legally binding agreement of each of the Property Trustee and the Delaware Trustee enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(f) the execution, delivery and performance of this Trust Agreement has been duly authorized by all necessary corporate or other action on the part of the Property Trustee and the

Delaware Trustee and does not require any approval of stockholders of the Property Trustee and the Delaware Trustee and such execution, delivery and performance will not (i) violate the charter or by-laws of the Property Trustee or the Delaware Trustee, (ii) violate any provision of, or constitute, with or without notice or lapse of time, a default under, or result in the creation or imposition of, any Lien on any properties included in the Trust Property pursuant to the provisions of, any indenture, mortgage, credit agreement, license or other agreement or instrument to which the Property Trustee or the Delaware Trustee is a party or by which it is bound or (iii) violate any law, governmental rule or regulation of the United States or the State of Delaware, as the case may be, governing the banking or trust powers of the Property Trustee or the Delaware Trustee (as appropriate in context) or any order, judgment or decree applicable to the Property Trustee or the Delaware Trustee;

(g) neither the authorization, execution or delivery by the Property Trustee or the Delaware Trustee of this Trust Agreement nor the consummation of any of the transactions by the Property Trustee or the Delaware Trustee (as appropriate in context) contemplated herein requires the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal law governing the banking or trust powers of the Property Trustee or the Delaware Trustee, as the case may be, under the laws of the United States or the State of Delaware; and

(h) there are no proceedings pending or, to the best of each of the Property Trustee's and the Delaware Trustee's knowledge, threatened against or affecting the Property Trustee or the Delaware Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, individually or in the aggregate, would materially and adversely affect the Trust or would question the right, power and authority of the Property Trustee or the Delaware Trustee, as the case may be, to enter into or perform its obligations as one of the Trustees under this Trust Agreement.

#### SECTION 7.2. Representations and Warranties of Depositor.

The Depositor hereby represents and warrants for the benefit of the Securityholders that:

(a) the Trust Securities Certificates issued on the Closing Date on behalf of the Trust have been duly authorized and will have been duly and validly executed, issued and delivered by the Trustees pursuant to the terms and provisions of, and in accordance with the requirements of, this Trust Agreement, and the Securityholders will be, as of each such date, entitled to the benefits of this Trust Agreement; and

(b) there are no taxes, fees or other governmental charges payable by the Trust (or the Trustees on behalf of the Trust) under the laws of the State of Delaware or any political subdivision thereof in connection with the execution, delivery and performance by the Property Trustee or the Delaware Trustee, as the case may be, of this Trust Agreement.

ARTICLE VIII.

The Trustees

SECTION 8.1. Certain Duties and Responsibilities.

(a) The duties and responsibilities of the Trustees shall be as provided by this Trust Agreement and, in the case of the Property Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, but subject to Section 8.1(c), no provision of this Trust Agreement shall require any of the Trustees to expend or risk its or their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of its or their rights or powers, if it or they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section 8.1. Nothing in this Trust Agreement shall be construed to release an Administrative Trustee from liability for his or her own negligent action, his or her own negligent failure to act, or his or her own willful misconduct. To the extent that, at law or in equity, an Administrative Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to the Securityholders, such Administrative Trustee shall not be liable to the Trust or to any Securityholder for such Trustee's good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of the Administrative Trustees otherwise existing at law or in equity, are agreed by the Depositor and the Securityholders to replace such other duties and liabilities of the Administrative Trustees.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Property Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it will look solely to the revenue and proceeds from the Trust Property to the extent legally available for distribution to it as herein provided and that the Trustees, their officers, directors, shareholders and agents are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.1(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) If an Event of Default has occurred and is continuing, the Property Trustee shall enforce this Trust Agreement for the benefit of the Holders.

(d) The Property Trustee, before the occurrence of any 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 Trust Agreement (including pursuant to Section 10.11), and no

implied covenants shall be read into this Trust Agreement against the Property Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to Section 5.14), the Property Trustee shall exercise such of the rights and powers vested in it by this Trust 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.

(e) No provision of this Trust Agreement shall be construed to relieve the Property Trustee or the Delaware 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 any 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 Trust Agreement (including pursuant to Section 10.11), and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement (including pursuant to Section 10.11); 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 Trust Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act 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 Trust Agreement.

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by an authorized 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 Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Trust Agreement;

(iv) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Payment Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own



account, subject to the protections and limitations on liability afforded to the Property Trustee under this Trust Agreement and the Trust Indenture Act;

(v) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Depositor; and money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account maintained by the Property Trustee pursuant to Section 3.1 and except to the extent otherwise required by law;

(vi) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the default or misconduct of the Administrative Trustees or the Depositor; and

(vii) Subject to Section 8.1(c), no provision of this Trust Agreement 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 the Property Trustee 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 Trust Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Administrative Trustees shall not be responsible for monitoring the compliance by the other Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall any Administrative Trustee be liable for the default or misconduct of any other Administrative Trustee, the other Trustees or the Depositor.

#### SECTION 8.2. Certain Notices.

Within ten Business Days after the occurrence of any Event of Default actually known to a Responsible Officer of the Property Trustee, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.10, notice of such Event of Default to the Securityholders, the Administrative Trustees and the Depositor, unless such Event of Default shall have been cured or waived.

Within five Business Days after the receipt of notice of the Depositor's exercise of its right to defer the payment of interest on the Debentures pursuant to the Indenture, the Administrative Trustee shall transmit, in the manner and to the extent provided in Section 10.10, notice of such exercise to the Securityholders and the Property Trustee, unless such exercise shall have been revoked.

SECTION 8.3. Certain Rights of Property Trustee.

Subject to the provisions of Section 8.1:

(a) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness 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) if (i) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action, (ii) in construing any of the provisions of this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (iii) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken and the Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within ten Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than two Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(c) any direction or act of the Depositor or the Administrative Trustees contemplated by this Trust Agreement shall be sufficiently evidenced by an Officers' Certificate;

(d) whenever in the administration of this Trust Agreement, the Property Trustee shall deem it desirable that a matter be established before undertaking, 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, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Depositor or the Administrative Trustees;

(e) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or reregistration thereof;

(f) the Property Trustee may consult with counsel of its selection (which counsel may be counsel to the Depositor or any of its Affiliates, and may include any of its employees) and the advice of such counsel 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; the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction;

(g) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Securityholders, pursuant to this Trust Agreement, unless such Securityholders shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; provided that, nothing contained in this Section 8.3(g) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Agreement;

(h) the Property 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, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Securityholders, but the Property Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(i) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys; provided, that the Property Trustee shall be responsible for its own negligence or misconduct with respect to the selection of any agent or attorney appointed by it hereunder;

(j) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders (which instructions may only be given by the Holders of the same proportion in Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action), (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (iii) shall be protected in acting in accordance with such instructions; and

(k) except as otherwise expressly provided by this Trust Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Trust Agreement.

(l) the Property Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement; and

(m) the Property Trustee shall not be deemed to have notice of any Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Preferred Securities and this Trust Agreement.

No provision of this Trust Agreement shall be deemed to impose any duty or obligation on any Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which such Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or

to exercise any such right, power, duty or obligation. No permissive power or authority available to any Trustee shall be construed to be a duty.

SECTION 8.4. Not Responsible for Recitals or Use of Proceeds.

The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees shall not be accountable for the use or application by the Depositor of the proceeds of the Debentures.

SECTION 8.5. May Hold Securities.

Any Trustee or any other agent of any Trustee or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, subject to Sections 8.8 and 8.13, and, except as provided in the definition of the term "Outstanding" in Article I, may otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such other agent.

SECTION 8.6. Compensation; Indemnity; Fees.

(a) The Depositor agrees:

(1) to pay to the Property Trustee and the Delaware Trustee from time to time such reasonable compensation for all services rendered by them hereunder as may be agreed by the Depositor and such Trustees from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Property Trustee and the Delaware Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by such Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of their agents and counsel), except any such expense, disbursement or advance as may be attributable to their negligence, bad faith or willful misconduct; and

(3) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) the Property Trustee and the Delaware Trustee, (ii) any Affiliate of any such Trustee, (iii) any officer, director, shareholder, employee, representative or agent of any such Trustee and (iv) any employee or agent of the Trust or its Affiliates, (referred to herein as an "Indemnified Person") from and against any and all loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or 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 Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence, bad faith or misconduct with respect to such acts or omissions.

(b) The Trust shall:

(1) pay to the Administrative Trustees from time to time compensation for all services rendered by them hereunder as may be agreed by the Depositor and the Administrative Trustees from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, reimburse the Administrative Trustees upon request for all expenses, disbursements and advances incurred or made by such Trustees (including compensation and the expenses and disbursements of their agents and counsel); and

(3) to the fullest extent permitted by applicable law, indemnify and hold harmless (i) each Administrative Trustee, (ii) any Affiliate of each such Trustee and (iii) any officer, director, shareholder, employee, representative or agent of each such Trustee to the same extent as the Depositor has agreed to indemnify an Indemnified Person pursuant to Section 8.6(a)(3) above.

(c) The provisions of this Section 8.6 shall survive the termination of this Trust Agreement or the earlier termination or removal of any Trustee.

No Trustee may claim any Lien on any Trust Property as a result of any amount due pursuant to this Section 8.6.

When any Trustee incurs expenses or renders services after an Event of Default specified in clause (e) of the definition of Event of Default occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

The Depositor and any Trustee 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 Trust Securities shall have no rights by virtue of this Trust Agreement 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 Depositor, 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 Depositor 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 Depositor or any Affiliate of the Depositor, 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 Depositor or its Affiliates.

#### SECTION 8.7. Corporate Property Trustee Required; Eligibility of Trustees.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and that has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such Person 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 Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind that entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity with its principal place of business in the State

of Delaware and that otherwise meets the requirements of applicable Delaware law and that shall act through one or more persons authorized to bind such entity.

#### SECTION 8.8. Conflicting Interests.

(a) If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement.

(b) The Guarantee and the Indenture shall be deemed to be specifically described in this Trust Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

#### SECTION 8.9. Co-Trustees and Separate Trustee.

Unless an Event of Default shall have occurred and be continuing, at any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Depositor and the Administrative Trustees, by agreed action of the majority of such Trustees, shall have power to appoint, and upon the written request of the Administrative Trustees, the Depositor shall for such purpose join with the Administrative Trustees in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to the extent required by law to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section shall either be (a) a natural person who is at least 21 years of age and a resident of the United States or (b) a legal entity with its principal place of business in the United States that shall act through one or more persons authorized to bind such entity.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Depositor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) The Trust Securities shall be executed by one or more of the Administrative Trustees, and the Trust Securities shall be delivered by the Property Trustee, and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Property Trustee specified hereunder shall be exercised solely by the Property Trustee and not by such co-trustee or separate trustee.

(b) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigning or removed may be appointed in the manner provided in this Section.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee or any other trustee hereunder.

(e) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee.

(f) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

#### SECTION 8.10. Resignation and Removal; Appointment of Successor.

No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 8.11.

Subject to the immediately preceding paragraph, the Relevant Trustee may resign at any time by giving written notice thereof to the Securityholders and by appointing a successor Relevant

Trustee. The Relevant Trustee shall appoint a successor by requesting from at least three Persons meeting the eligibility requirements its expenses and charges to serve as the Relevant Trustee on a form provided by the Administrative Trustees, and selecting the Person who agrees to the lowest expenses and charges. If the instrument of acceptance by the successor Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 60 days after the giving of such notice of resignation, the Relevant Trustee may petition, at the expense of the Trust, any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

Unless a Debenture Event of Default shall have occurred and be continuing, any Trustee may be removed at any time by Act of the Common Securityholder. If a Debenture Event of Default shall have occurred and be continuing, the Property Trustee or the Delaware Trustee, or both of them, may be removed at such time by Act of the Holders of a majority in Liquidation Amount of the Preferred Securities, delivered to the Relevant Trustee (in its individual capacity and, in the case of the Property Trustee, on behalf of the Trust). An Administrative Trustee may be removed by the Common Securityholder at any time. If the instrument of acceptance by the successor Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 60 days after such removal, the Relevant Trustee may petition, at the expense of the Trust, any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

If any Trustee shall resign, be removed or become incapable of acting as Trustee, or if a vacancy shall occur in the office of any Trustee for any cause, at a time when no Debenture Event of Default shall have occurred and be continuing, the Common Securityholder, by Act of the Common Securityholder delivered to the retiring Trustee, shall promptly appoint a successor Trustee or Trustees, and the retiring Trustee shall comply with the applicable requirements of Section 8.11. If the Property Trustee or the Delaware Trustee shall resign, be removed or become incapable of continuing to act as the Property Trustee or the Delaware Trustee, as the case may be, at a time when a Debenture Event of Default shall have occurred and be continuing, the Preferred Securityholders, by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities then Outstanding delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and such successor Trustee shall comply with the applicable requirements of Section 8.11. If an Administrative Trustee shall resign, be removed or become incapable of acting as Administrative Trustee, at a time when a Debenture Event of Default shall have occurred and be continuing, the Common Securityholder by Act of the Common Securityholder delivered to the Administrative Trustee shall promptly appoint a successor Administrative Trustee or Administrative Trustees and such successor Administrative Trustee or Trustees shall comply with the applicable requirements of Section 8.11. If no successor Relevant Trustee shall have been so appointed by the Common Securityholder or the Preferred Securityholders and accepted appointment in the manner required by Section 8.11, any Securityholder who has been a Securityholder of Trust Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

The Property Trustee shall give notice of each resignation and each removal of a Trustee and each appointment of a successor Trustee to all Securityholders, in the manner provided in Section 10.10 and shall give notice to the Depositor and to the Administrative Trustees. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.



Notwithstanding the foregoing or any other provision of this Trust Agreement, if any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes, in the opinion of the Holder of the Common Securities, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (a) the unanimous act of the remaining Administrative Trustees if there are at least two of them or (b) otherwise by the Depositor (with the successor in each case being a Person who satisfies the eligibility requirement for the Administrative Trustees or the Delaware Trustee, as the case may be, set forth in Section 8.7).

SECTION 8.11. Acceptance of Appointment by Successor.

In case of the appointment hereunder of a successor Relevant Trustee, the retiring Relevant Trustee and each successor Relevant Trustee with respect to the Trust Securities shall execute and deliver an amendment hereto wherein each successor Relevant Trustee shall accept such appointment and which (a) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Trust and (b) shall add to or change any of the provisions of this Trust Agreement as shall be necessary to provide for or facilitate the administration of the Trust by more than one Relevant Trustee, it being understood that nothing herein or in such amendment shall constitute such Relevant Trustees co-trustees and upon the execution and delivery of such amendment the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on request of the Trust or any successor Relevant Trustee such retiring Relevant Trustee shall duly assign, transfer and deliver to such successor Relevant Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Trust Securities and the Trust.

Upon request of any such successor Relevant Trustee, the Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article.

SECTION 8.12. Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee 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.

SECTION 8.13. Preferential Collection of Claims Against Depositor or Trust.

If and when the Property Trustee or the Delaware Trustee shall be or become a creditor of the Depositor or the Trust (or any other obligor upon the Debentures or the Trust Securities), the Property Trustee or the Delaware Trustee, as the case may be, shall be subject to and shall take all actions necessary in order to comply with the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor).

SECTION 8.14. Trustee May File Proofs of Claim.

In case 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 Trust 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 Trust Securities shall then be due and payable 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 Trust 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 Trust Securities or the rights of any Holder thereof or to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 8.15. Reports by Property Trustee.

(a) Not later than March 31 of each year commencing with March 31, 199\_, the Property Trustee shall transmit to all Securityholders in accordance with Section 10.10, and to the Depositor, such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with each national stock exchange, the Nasdaq National Market or such other interdealer quotation system or self-regulatory organization upon which the Trust Securities are listed or traded, if any, with the Commission and with the Depositor. The Depositor shall promptly notify the Property Trustee when the Trust Securities are so listed or traded.

SECTION 8.16. Reports to the Property Trustee.

The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314(a) of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. 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 or determinable from information contained therein, including the Depositor's compliance with any of its covenants hereunder (as to which the Property Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 8.17. Evidence of Compliance with Conditions Precedent.

Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314 (c) of the Trust

Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act shall be given in the form of an Officers' Certificate.

SECTION 8.18. Number of Trustees.

(a) The number of Trustees shall be four, provided that the Holder of all of the Common Securities by written instrument may increase or decrease the number of Administrative Trustees. The Property Trustee and the Delaware Trustee may be the same Person.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 8.18(a), or if the number of Administrative Trustees is increased pursuant to Section 8.18(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul, dissolve or terminate the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 8.10, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Agreement), shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Trust Agreement.

SECTION 8.19. Delegation of Power.

(a) Any Administrative 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 documents contemplated in Section 2.7(a), including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number or to the Depositor the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of this Trust Agreement.

ARTICLE IX.

Termination, Liquidation and Merger

SECTION 9.1. Termination Upon Expiration Date.

Unless earlier terminated, the Trust shall automatically terminate on December 31, 2051 (the "Expiration Date"), following the distribution of the Trust Property in accordance with Section 9.4.

SECTION 9.2. Early Termination.

The first to occur of any of the following events is an "Early Termination Event":

(a) the occurrence of a Bankruptcy Event in respect of, or the dissolution or liquidation of, the Holder of the Common Securities;

(b) the written direction to the Property Trustee from the Holder of the Common Securities at any time to dissolve the Trust and, after satisfaction or the making of reasonable provision for the payment of liabilities to creditors of the Trust, to distribute Debentures to Securityholders in exchange for the Preferred Securities (which direction is optional and wholly within the discretion of the Holder of the Common Securities);

(c) the redemption of all of the Preferred Securities in connection with the redemption of all the Debentures; and

(d) the entry of an order for dissolution of the Trust by a court of competent jurisdiction.

SECTION 9.3. Termination.

The respective obligations and responsibilities of the Trustees and the Trust created and continued hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Securityholders of all amounts required to be distributed hereunder upon the liquidation of the Trust pursuant to Section 9.4, or upon the redemption of all of the Trust Securities pursuant to Section 4.2; (b) the payment of any expenses owed by the Trust; and (c) the discharge of all administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders.

SECTION 9.4. Liquidation.

(a) If an Early Termination Event specified in clause (a), (b) or (d) of Section 9.2 occurs or upon the Expiration Date, the Trust shall be wound up by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after satisfaction or the making of reasonable provision for the payment of liabilities to creditors of the Trust as provided by applicable

law, to each Securityholder a Like Amount of Debentures, subject to Section 9.4(d). Notice of dissolution shall be given by the Property Trustee by first-class mail, postage prepaid mailed not less than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All such notices of dissolution shall:

(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Debentures, or if Section 9.4(d) applies receive a Liquidation Distribution, as the Property Trustee (after consultation with the Administrative Trustees) shall deem appropriate.

(b) Except where Section 9.2(c) or 9.4(d) applies, in order to effect the dissolution and winding-up of the Trust and distribution of the Debentures to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Section 9.2(c) or 9.4(d) applies, after the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) certificates representing a Like Amount of Debentures will be issued to Holders of Trust Securities Certificates, upon surrender of such certificates to the Administrative Trustees or their agent for exchange, (iii) the Depositor shall use its best efforts to have the Debentures listed on the New York Stock Exchange or on such other stock exchange, interdealer quotation system or self-regulatory organization as the Preferred Securities are then listed or traded, if any, (iv) any Trust Securities Certificates not so surrendered for exchange will be deemed to represent a Like Amount of Debentures, accruing interest at the rate provided for in the Debentures from the last Distribution Date on which a Distribution was made on such Trust Securities Certificates until such certificates are so surrendered (and until such certificates are so surrendered, no payments of interest or principal will be made to Holders of Trust Securities Certificates with respect to such Debentures) and (v) all rights of Securityholders holding Trust Securities will cease, except the right of such Securityholders to receive Debentures upon surrender of Trust Securities Certificates.

(d) In the event that, notwithstanding the other provisions of this Section 9.4, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Debentures in the manner provided herein is determined by the Property Trustee not to be practical, or if an Early Termination Event specified in clause (c) of Section 9.2 occurs, the Trust Property shall be liquidated, and the Trust shall be dissolved, wound-up and terminated, by

the Property Trustee in such manner as the Property Trustee determines. In such event, in connection with the winding-up of the Trust, Securityholders, will be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to the Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If, upon any such dissolution and winding-up, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holder of the Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution and winding-up pro rata (determined as aforesaid) with Holders of Preferred Securities, except that, if a Debenture Event of Default specified in Section 5.1(1) or 5.1(2) of the Indenture has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities as provided in Section 4.3.

SECTION 9.5. Mergers, Consolidations, Amalgamations or Replacements of the Trust.

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except pursuant to Section 9.4 or this Section 9.5. At the request of the Holder of Common Securities, with the consent of the Administrative Trustees and without the consent of the Holders of the Preferred Securities, the Property Trustee or the Delaware Trustee, the Trust may merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any State; provided, that (a) such successor entity either (i) expressly assumes all of the obligations of the Trust with respect to the Preferred Securities or (ii) substitutes for the Preferred Securities other securities having substantially the same material terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities have the same priority as the Preferred Securities with respect to distributions and payments upon liquidation, redemption and otherwise; (b) a trustee of such successor entity possessing the same powers and duties as the Property Trustee is appointed to hold the Debentures; (c) the Successor Securities are listed or traded, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed or traded, if any; (d) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization; (e) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect; (f) such successor entity has a purpose substantially identical to that of the Trust; (g) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Property Trustee has received an Opinion of Counsel to the effect that (i) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the material rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect, and (ii) following such merger, consolidation,

amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act; and (h) the Depositor or its permitted transferee owns all of the common securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of Holders of 100% in Liquidation Amount of the Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as an association taxable as a corporation or as other than a grantor trust for United States federal income tax purposes.

## ARTICLE X.

### Miscellaneous Provisions

#### SECTION 10.1. Limitation of Rights of Securityholders.

The death, incapacity, liquidation, dissolution, termination or bankruptcy of any Person having an interest, beneficial or otherwise, in Trust Securities shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim, to the fullest extent permitted by law, an accounting, take any action or bring any proceeding in any court for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

#### SECTION 10.2. Liability of Holder of Common Securities.

Pursuant to Section 3803 of the Delaware Business Trust Act, the Depositor as the Holder of Common Securities, shall be liable for the debts and obligations of the Trust as set forth in the Expense Agreement, which is made a part hereof.

#### SECTION 10.3. Amendment.

(a) This Trust Agreement may be amended from time to time by the Property Trustee, the Administrative Trustees and the Depositor, without the consent of any Securityholders, (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, which shall not be inconsistent with the other provisions of this Trust Agreement, or (ii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or as other than a grantor trust at all times that any Trust Securities are outstanding or to ensure that the Trust will not be required to register as an investment company under the 1940 Act; provided however, that in the case of clause



(i) or (ii), such action shall not adversely affect in any material respect the interests of any Securityholder, and any amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Section 10.3(c) hereof, any provision of this Trust Agreement may be amended by the Administrative Trustees and the Depositor with (i) the consent of Trust Securityholders representing not less than a majority (based upon Liquidation Amounts) of the Trust Securities then Outstanding and (ii) receipt by the Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Trustees in accordance with such amendment will not affect the Trust's status as a grantor trust or cause the Trust to be an association taxable as a corporation for United States federal income tax purposes or the Trust's exemption from status of an investment company under the 1940 Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date; notwithstanding any other provision herein, without the unanimous consent of the Securityholders (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this paragraph (c) of this Section 10.3 may not be amended.

(d) Notwithstanding any other provisions of this Trust Agreement, no Trustee shall enter into or consent to any amendment to this Trust Agreement which would cause the Trust to fail or cease to qualify for the exemption from status of an investment company under the 1940 Act or cause the Trust to be classified as an association taxable as a corporation or not to be a grantor trust for United States federal income tax purposes.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor and the Administrative Trustees, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor or the Administrative Trustees.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

(g) Neither the Property Trustee nor the Delaware Trustee shall be required to enter into any amendment to this Trust Agreement which affects its own rights, duties or immunities under this Trust Agreement. The Property Trustee shall be entitled to receive an Opinion of Counsel and an Officers' Certificate stating that any amendment to this Trust Agreement is in compliance with this Trust Agreement.

SECTION 10.4. Separability.

In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.5. Governing Law.

THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES, AND THE LIABILITY OF SECURITYHOLDERS FOR OBLIGATIONS AND LIABILITIES OF THE TRUST SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. THE PROVISIONS OF SECTIONS 3540 AND 3561 OF TITLE 12 THE DELAWARE CODE ANNOTATED SHALL NOT APPLY TO THE TRUST.

SECTION 10.6. No Recourse.

The Trust's obligations hereunder are intended to be the obligations of the Trust and no recourse for the payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, Trust Securities, as applicable, or for any claim upon the Trust Securities or otherwise in respect thereof, shall be had against any Securityholder or any Affiliate of a Securityholder, solely by reason of such person being a Securityholder or an Affiliate of a Securityholder, it being understood that the Securityholders, solely by reason of being a Securityholder, have limited liability (in accordance with the provisions of the Delaware Business Trust Act) for the liabilities and obligations of the Trust. Nothing contained in this Section 10.6 shall be construed to limit the exercise or enforcement, in accordance with the terms of this Trust Agreement, the Guarantee and the Indenture, of rights and remedies against the Trust or the Depositor.

SECTION 10.7. Payments Due on Non-Business Day.

If the date fixed for any payment on any Trust Security shall be a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day that is a Business Day (except as otherwise provided in Sections 4.1(a) and 4.2(d)), with the same force and effect as though made on the date fixed for such payment, and no Distributions shall accumulate on such unpaid amount for the period after such date.

SECTION 10.8. Successors.

This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Depositor, the Trust or any Trustee, including any successor by operation of law. Except in connection with a consolidation, merger or sale involving the Depositor that is permitted under

Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Depositor's obligations hereunder, the Depositor shall not assign its obligations hereunder.

SECTION 10.9. Headings.

The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

SECTION 10.10. Reports, Notices and Demands.

Any report, notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, first-class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (a) in the case of a Preferred Securityholder, to such Preferred Securityholder as such Securityholder's name and address may appear on the Securities Register; and (b) in the case of the Common Securityholder or the Depositor, to Houston Lighting & Power Company, Houston Industries Plaza, 1111 Louisiana Street, Houston, Texas 77002, Attention: Treasurer, facsimile no.: (713) 207-3301, or to such other address as may be specified in a written notice by the Holder of the Common Securities or the Depositor, as the case may be, to the Property Trustee. Such notice, demand or other communication to or upon a Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission. Such notice, demand or other communication to or upon the Depositor shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Depositor.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust, the Property Trustee, the Delaware Trustee or the Administrative Trustees shall be given in writing addressed (until another address is published by the Trust) as follows: (a) with respect to the Property Trustee to 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration; (b) with respect to the Delaware Trustee, to White Clay Center, Route 273, Newark, Delaware 19711, Attention: Corporate Trust Department; (c) with respect to the Administrative Trustees, to 200 West 9th Street Plaza, Box 2105, Wilmington, Delaware 19899, marked "Attention Administrative Trustees of HL&P Capital Trust\_\_"; and (d) with respect to the Trust, to its principal office specified in Section 2.2, with a copy to the Property Trustee. Such notice, demand or other communication to or upon the Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Trust or the Property Trustee.

SECTION 10.11. Agreement Not to Petition.

Each of the Trustees and the Depositor agree for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, they shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, insolvency,

reorganization or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws" or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.11, the Property Trustee agrees, for the benefit of Securityholders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be stopped and precluded therefrom and such other defenses, if any, as counsel for the Trustee or the Trust may assert. The provisions of this Section 10.11 shall survive the termination of this Trust Agreement.

SECTION 10.12. Trust Indenture Act; Conflict with Trust Indenture Act.

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

(b) The Property Trustee shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required or deemed provision shall control. If any provision of this Trust Agreement modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Trust Agreement as so modified or excluded, as the case may be.

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

SECTION 10.13. Acceptance of Terms of Trust Agreement, Guarantee and Indenture.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT, THE GUARANTEE AND THE INDENTURE, AND AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE INDENTURE, AND SHALL CONSTITUTE THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT SHALL BE BINDING,

OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

In Witness Whereof, the parties hereof have entered into this Trust Agreement as of the date first above written.

Houston Lighting & Power Company

By: \_\_\_\_\_  
Name:  
Title:

The Bank Of New York,  
as Property Trustee

By: \_\_\_\_\_  
Name:  
Title:

The Bank Of New York (Delaware),  
as Delaware Trustee

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
\_\_\_\_\_,  
as Administrative Trustee

\_\_\_\_\_  
\_\_\_\_\_,  
as Administrative Trustee

CERTIFICATE OF TRUST  
OF  
HL&P CAPITAL TRUST \_

THIS CERTIFICATE OF TRUST of HL&P Capital Trust \_\_\_\_ (the "Trust"),  
dated January \_\_, 1997, is being duly executed and filed by the undersigned as  
trustee, to form a business trust under the Delaware Business Trust Act  
(12 Del. C. (S) 3801 et seq.).  
----- -- --

1. Name. The name of the business trust being formed hereby is HL&P  
-----  
Capital Trust \_.

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), White Clay Center, Route 273, Newark, Delaware  
19711.

3. Effective Date. This Certificate of Trust shall be effective at  
-----  
the time of its filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the  
Trust at the time of filing this Certificate of Trust, has executed this  
Certificate of Trust as of the date first above written.

THE BANK OF NEW YORK (DELAWARE),  
as Trustee

By: -----  
Name:  
Title:

January \_\_, 1997

The Depository Trust Company,  
55 Water Street, 49th Floor,  
New York, New York 10041-0099

Attention: \_\_\_\_\_  
General Counsel's Office

Re: HL&P Capital Trust \_\_ \_\_ % Trust Preferred Securities, Series  
-----

Ladies and Gentlemen:

The purpose of this letter is to set forth certain matters relating to the issuance and deposit with The Depository Trust Company ("DTC") of the HL&P Capital Trust \_\_ \_\_% Trust Preferred Securities, Series \_\_ (the "Preferred Securities"), of HL&P Capital Trust \_\_, a Delaware business trust (the "Issuer"), formed pursuant to a Trust Agreement between Houston Lighting & Power Company (the "Corporation") and The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and the Administrative Trustees named therein. The payment of distributions on the Preferred Securities, and payments due upon liquidation of the Issuer or redemption of the Preferred Securities, to the extent the Issuer has funds available for the payment thereof, are guaranteed by the Corporation to the extent set forth in a Guarantee Agreement, dated January \_\_, 1997 by the Corporation with respect to the Preferred Securities. The Corporation and the Issuer propose to sell the Preferred Securities to certain Underwriters (the "Underwriters") pursuant to an Underwriting Agreement dated January \_\_, 1997 by and among the Underwriters, the Issuer and the Corporation, and the Underwriters wish to take delivery of the Preferred Securities through DTC. The Bank of New York is acting as transfer agent and registrar with respect to the Preferred Securities (the "Transfer Agent and Registrar").

To induce DTC to accept the Preferred Securities as eligible for deposit at DTC, and to act in accordance with DTC's rules with respect to the Preferred Securities, the Issuer, the Transfer Agent and Registrar and DTC agree among each other as follows:

1. Prior to the closing of the sale of the Preferred Securities to the Underwriters, which is expected to occur on or about January \_\_, 1997, there shall be deposited with DTC one or more global certificates (individually and collectively, the "Global Certificate") registered in the



name of DTC's Preferred Securities nominee, Cede & Co., representing an aggregate of \_\_\_\_\_ Preferred Securities and bearing the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

2. The Amended and Restated Trust Agreement of the Issuer provides for the voting by holders of the Preferred Securities under certain limited circumstances. The Issuer shall establish a record date for such purposes and shall, to the extent possible, give DTC notice of such record date not less than 15 calendar days in advance of such record date.

3. In the event of a stock split, conversion, recapitalization, reorganization or any other similar transaction resulting in the cancellation of all or any part of the Preferred Securities outstanding, the Issuer or the Transfer Agent and Registrar shall send DTC a notice of such event at least 5 business days prior to the effective date of such event.

4. In the event of distribution on, or an offering or issuance of rights with respect to, the Preferred Securities outstanding, the Issuer or the Transfer Agent and Registrar shall send DTC a notice specifying: (a) the amount of and conditions, if any, applicable to the payment of any such distribution or any such offering or issuance of rights; (b) any applicable expiration or deadline date, or any date by which any action on the part of the holders of Preferred Securities is required; and (c) the date any required notice is to be mailed by or on behalf of the Issuer to holders of Preferred Securities or published by or on behalf of the Issuer (whether by mail or publication, the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or the Transfer Agent and Registrar will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission of multiple CUSIP numbers (if applicable) that includes a manifest or list of each CUSIP number submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be not less than 30 calendar days nor more than 60 calendar days prior to the payment of any such distribution or any such offering or issuance of rights with respect to the Preferred Securities. After establishing the amount of payment to be made on the Preferred Securities, the Issuer or the Transfer Agent and Registrar will notify DTC's Dividend Department of such payment 5 business days prior to payment

date. Notices to DTC's Dividend Department by telecopy shall be sent to (212) 709-1723. Such notices by mail or by any other means shall be sent to:

Manager, Announcements  
Dividend Department  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

The Issuer or the Transfer Agent and Registrar shall confirm DTC's receipt of such telecopy by telephoning the Dividend Department at (212) 709-1270.

5. In the event of a redemption by the Issuer of the Preferred Securities, notice specifying the terms of the redemption and the Publication Date of such notice shall be sent by the Issuer or the Transfer Agent and Registrar to DTC not less than 30 calendar days prior to such event by a secure means in the manner set forth in paragraph 4. Such redemption notice shall be sent to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190, and receipt of such notice shall be confirmed by telephoning (516) 227-4070. Notice by mail or by any other means shall be sent to:

Call Notification Department  
The Depository Trust Company  
711 Stewart Avenue  
Garden City, New York 11530-4719

6. In the event of any invitation to tender the Preferred Securities, notice specifying the terms of the tender and the Publication Date of such notice shall be sent by the Issuer or the Transfer Agent and Registrar to DTC by a secure means and in a timely manner as described in paragraph 4. Notices to DTC pursuant to this paragraph and notices of other corporate actions (including mandatory tenders, exchanges and capital changes), shall be sent, unless notification to another department is expressly provided for herein, by telecopy to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094 and receipt of such notice shall be confirmed by telephoning (212) 709-6884, or by mail or any other means to:

Manager, Reorganization Department  
Reorganization Window  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

7. All notices and payment advices sent to DTC shall contain the CUSIP number or numbers of the Preferred Securities and the accompanying designation of the Preferred Securities, which, as of the date of this letter, is "HL&P Capital Trust \_\_ \_\_% Trust Preferred Securities, Series \_\_."

8. Distribution payments or other cash payments with respect to the Preferred Securities evidenced by the Global Certificate shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next day funds on each payment date (or in accordance with existing arrangements between the Issuer or the Transfer Agent and Registrar and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NDFS Redemption Department  
The Depository Trust Company  
7 Hanover Square, 23rd Floor  
New York, New York 10004-2695

9. DTC may by prior written notice direct the Issuer and the Transfer Agent and Registrar to use any other telecopy number or address of DTC as the number or address to which notices or payments may be sent.

10. In the event of a conversion, redemption, or any other similar transaction (e.g., tender made and accepted in response to the Issuer's or the Transfer Agent and Registrar's invitation) necessitating a reduction in the aggregate number of Preferred Securities outstanding evidenced by the Global Certificate, DTC, in its discretion: (a) may request the Issuer or the Transfer Agent and Registrar to issue and countersign a new Global Certificate; or (b) may make an appropriate notation on the Global Certificate indicating the date and amount of such reduction.

11. DTC may discontinue its services as a securities depository with respect to the Preferred Securities at any time by giving at least 90 days' prior written notice to the Issuer and the Transfer Agent and Registrar (at which time DTC will confirm with the Issuer or the Transfer Agent and Registrar the aggregate number of Preferred Securities deposited with it) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Issuer may determine to make alternative arrangements for book-entry settlement for the Preferred Securities, make available one or more separate global certificates evidencing Preferred Securities to any Participant having Preferred Securities credited to its DTC account, or issue definitive Preferred Securities to the beneficial holders thereof, and in any such case, DTC agrees to cooperate fully with the Issuer and the Transfer Agent and Registrar, and to return the Global Certificate, duly endorsed for transfer as directed by the Issuer or the Transfer Agent and Registrar, together with any other documents of transfer reasonably requested by the Issuer or the Transfer Agent and Registrar.

12. In the event that the Issuer determines that beneficial owners of Preferred Securities shall be able to obtain definitive Preferred Securities, the Issuer or the Transfer Agent and Registrar shall notify DTC of the availability of certificates. In such event, the Issuer or the Transfer Agent and Registrar shall issue, transfer and exchange certificates in appropriate amounts, as required by DTC and others, and DTC agrees to cooperate fully with the Issuer and the Transfer Agent and Registrar and to return the Global Certificate, duly endorsed for transfer as directed by the Issuer or the Transfer Agent and Registrar, together with any other documents of transfer reasonably requested by the Issuer or the Transfer Agent and Registrar.

13. This letter may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Nothing herein shall be deemed to require the Transfer Agent and Registrar to advance funds on behalf of HL&P Capital Trust\_.

Very truly yours,

HL&P CAPITAL TRUST\_  
(as Issuer)

By: \_\_\_\_\_  
Name:  
Administrative Trustee

THE BANK OF NEW YORK  
(as Transfer Agent and Registrar)

By: \_\_\_\_\_  
Name:  
Title:

Received and accepted:

THE DEPOSITORY TRUST COMPANY

By: \_\_\_\_\_  
Authorized Officer

THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO HOUSTON LIGHTING & POWER COMPANY OR AN AFFILIATE OF HOUSTON LIGHTING & POWER COMPANY IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.10 OF THE TRUST AGREEMENT AND ONLY IN CONNECTION WITH A SIMULTANEOUS DELEGATION AND ASSIGNMENT OF THE EXPENSE AGREEMENT REFERRED TO THEREIN

Certificate Number  
C-1

Number of Common Securities  
-----

Certificate Evidencing Common Securities

of

HL&P Capital Trust\_  
\_\_\_\_\_% Common Securities  
(liquidation amount \$25 per Common Security)

HL&P Capital Trust \_\_, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Houston Lighting & Power Company (the "Holder") is the registered owner of \_\_\_\_\_ (\_\_\_\_\_) common securities of the Trust representing an undivided beneficial interest in the assets of the Trust and designated the \_\_\_\_% Common Securities (liquidation amount \$25 per Common Security) (the "Common Securities"). In accordance with Section 5.10 of the Trust Agreement (as defined below) the Common Securities are not transferable and any attempted transfer hereof shall be void. 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 Trust Agreement of the Trust dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of the Common Securities as set forth therein. The Trust will furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust  
has executed this certificate this \_\_\_\_ day of January, 1997.

HL&P CAPITAL TRUST\_

By:

-----

Name:  
Administrative Trustee

C-2

## AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT, dated as of January \_\_, 1997, between Houston Lighting & Power Company, a Texas corporation (the "Corporation"), and HL&P Capital Trust \_\_, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive Debentures from the Corporation and to issue and sell its \_\_\_% Trust Preferred Securities, Series\_ (the "Preferred Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust, dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"); and

WHEREAS, the Corporation will directly or indirectly own all of the Common Securities of the Trust and will issue the Debentures;

NOW, THEREFORE, in consideration of the purchase by each holder of the Preferred Securities, which purchase the Corporation, as the holder of the Common Securities, hereby agrees shall benefit it and which purchase the Corporation, as the holder of the Common Securities, acknowledges will be made in reliance upon the execution and delivery of this Agreement, the Corporation, as the holder of the Common Securities, and the Trust hereby agree as follows:

## ARTICLE I.

## SECTION 1.1. Agreement and Guarantee by the Corporation.

Subject to the terms and conditions hereof, the Corporation agrees to pay to the Trust for payment to the Beneficiaries (as hereinafter defined) amounts equal to the Obligations (as hereinafter defined). In addition, subject to the terms and conditions hereof, the Corporation, as the holder of the Common Securities, hereby irrevocably and unconditionally guarantees to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any costs, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Preferred Securities or other similar interests in the Trust the amounts due such holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be in respect of principal, interest (including Additional Interest) or Additional Amounts, on the Preferred Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

SECTION 1.2. Term of Agreement.

This Agreement shall terminate and be of no further force and effect upon the later of (a) the date on which full payment has been made of all amounts payable to all holders of all the Preferred Securities (whether upon redemption, liquidation, exchange or otherwise) and (b) the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Preferred Securities or any Beneficiary must restore payment of any sums paid under the Preferred Securities, under any Obligation, under the Guarantee Agreement, dated as of the date hereof by the Corporation and The Bank of New York, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

SECTION 1.3. Waiver of Notice.

The Corporation hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and the Corporation hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 1.4. No Impairment.

The obligations, covenants, agreements and duties of the Corporation under this 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 extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) 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 Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, the Corporation with respect to the happening of any of the foregoing.



SECTION 1.5. Enforcement.

A Beneficiary may enforce this Agreement directly against the Corporation and the Corporation waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against the Corporation.

SECTION 1.6. Subrogation.

The Corporation shall be subrogated to all (if any) rights of the Trust in respect of any amounts paid to the Beneficiaries by the Corporation under this Agreement; provided, however, that the Corporation 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 Agreement, if, at the time of any such payment, any amounts are due and unpaid under this Agreement.

ARTICLE II.

SECTION 2.1. Binding Effect.

All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Corporation and shall inure to the benefit of the Beneficiaries.

SECTION 2.2. Amendment.

So long as there remains any Beneficiary or any Preferred Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Preferred Securities.

SECTION 2.3. Notices.

Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and, if so given, shall be deemed given when mailed or upon receipt of an answer back, if sent by telex):

HL&P Capital Trust \_\_\_\_  
c/o Houston Industries Incorporated  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

SECTION 2.4. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THERETO.

SECTION 2.5. Limited Liability.

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.

THIS AGREEMENT is executed as of the day and year first above written.

HOUSTON LIGHTING & POWER COMPANY

By:

-----

Name:  
Title:

HL&P CAPITAL TRUST \_\_\_\_

By:

-----

Name:  
Administrative Trustee

IF THE PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE, INSERT - This Preferred Security is a Global Certificate within the meaning of the Trust Agreement hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Preferred Security is exchangeable for Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Trust Agreement and no transfer of this Preferred Security (other than a transfer of this Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) 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) to HL&P Capital Trust \_\_\_ 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 inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Certificate Number \_\_\_\_\_ Number of Preferred Securities \_\_\_\_\_  
Securities \_\_\_\_\_  
P- \_\_\_\_\_  
CUSIP No.: \_\_\_\_\_

Certificate Evidencing Preferred Securities  
of  
HL&P Capital Trust \_\_\_  
\_\_\_% Trust Preferred Securities, Series \_\_\_  
(liquidation amount \$25 per Security)

HL&P Capital Trust \_\_\_, 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 an undivided beneficial interest in the assets of the Trust and designated the HL&P Capital Trust \_\_\_ \_\_\_% Trust Preferred Securities, Series \_\_\_ (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

as provided in Section 5.4 of the Trust Agreement (as defined below). 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 Trust Agreement of the Trust, dated as of January \_\_, 1997, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of Preferred Securities as set forth therein. The Holder is entitled to the benefits of the Guarantee Agreement entered into by Houston Lighting & Power Company, a Texas corporation, and The Bank of New York, as guarantee trustee, dated as of January \_\_, 1997 (the "Guarantee"), to the extent provided therein. The Trust will furnish a copy of the Trust Agreement and the Guarantee to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrative Trustees of the Trust has executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

HL&P CAPITAL TRUST \_\_\_\_

By:

-----

Name:  
Administrative Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security to:\_\_\_\_\_

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints\_\_\_\_\_

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:\_\_\_\_\_

(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

Signature(s) Guaranteed:

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

[FORM RELATING TO CAPITAL SECURITIES]

---

GUARANTEE AGREEMENT

Between

HOUSTON LIGHTING & POWER COMPANY  
(as Guarantor)

and

THE BANK OF NEW YORK  
(as Trustee)

dated as of

January \_\_, 1997

---

CROSS-REFERENCE TABLE/\*\*/

Section of  
Trust Indenture Act  
of 1939, as amended  
-----

Section of  
Guarantee Agreement  
-----

310(a).....	4.1(a)
310(b).....	4.1(c), 2.8
310(c).....	Inapplicable
311(a).....	2.2(b)
311(b).....	2.2(b)
311(c).....	Inapplicable
312(a).....	2.2(a)
312(b).....	2.2(b)
313.....	2.3
314(a).....	2.4
314(b).....	Inapplicable
314(c).....	2.5
314(d).....	Inapplicable
314(e).....	1.1, 2.5, 3.2
314(f).....	2.1, 3.2
315(a).....	3.1(d)
315(b).....	2.7
315(c).....	3.1
315(d).....	3.1(d)
316(a).....	1.1, 2.6, 5.4
316(b).....	5.3
316(c).....	8.2
317(a).....	Inapplicable
317(b).....	Inapplicable
318(a).....	2.1 (b)
318(b).....	2.1
318(c).....	2.1 (a)

-----  
/\*\*/ This Cross-Reference Table does not constitute part of the Guarantee Agreement and shall not affect the interpretation of any of its terms or provisions.

TABLE OF CONTENTS

	Page
	----
ARTICLE I. DEFINITIONS.....	1
SECTION 1.1. Definitions.....	1
ARTICLE II. TRUST INDENTURE ACT.....	4
SECTION 2.1. Trust Indenture Act; Application.....	4
SECTION 2.2. List of Holders.....	4
SECTION 2.3. Reports by the Guarantee Trustee.....	4
SECTION 2.4. Periodic Reports to the Guarantee Trustee.....	5
SECTION 2.5. Evidence of Compliance with Conditions Precedent.....	5
SECTION 2.6. Events of Default; Waiver.....	5
SECTION 2.7. Event of Default; Notice.....	5
SECTION 2.8. Conflicting Interests.....	5
ARTICLE III. POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE.....	6
SECTION 3.1. Powers and Duties of the Guarantee Trustee.....	6
SECTION 3.2. Certain Rights of Guarantee Trustee.....	7
SECTION 3.3. Indemnity.....	9
SECTION 3.4. Compensation and Reimbursement.....	9
ARTICLE IV. GUARANTEE TRUSTEE.....	9
SECTION 4.1. Guarantee Trustee; Eligibility.....	9
SECTION 4.2. Appointment, Removal and Resignation of the Guarantee Trustee.....	10
ARTICLE V. GUARANTEE.....	10
SECTION 5.1. Guarantee.....	10
SECTION 5.2. Waiver of Notice and Demand.....	11
SECTION 5.3. Obligations Not Affected.....	11
SECTION 5.4. Rights of Holders.....	12
SECTION 5.5. Guarantee of Payment.....	12
SECTION 5.6. Subrogation.....	12
SECTION 5.7. Independent Obligations.....	12
ARTICLE VI. COVENANTS AND SUBORDINATION.....	13
SECTION 6.1. Subordination.....	13
SECTION 6.2. Pari Passu Guarantees.....	13
ARTICLE VII. TERMINATION.....	13
SECTION 7.1. Termination.....	13
ARTICLE VIII. MISCELLANEOUS.....	13



SECTION 8.1.	Successors and Assigns.....	13
SECTION 8.2.	Amendments.....	14
SECTION 8.3.	Notices.....	14
SECTION 8.4.	Benefit.....	15
SECTION 8.5.	Interpretation.....	15
SECTION 8.6.	Governing Law.....	16
SECTION 8.7.	Limited Liability.....	16

## GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT, dated as of January \_\_, 1997, is executed and delivered by HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Guarantor") having its principal office at Houston Industries Plaza, 1111 Louisiana Street, Houston, Texas 77002, and The Bank of New York, a New York banking corporation as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Capital Securities and the Common Securities (each as defined herein and, together, the "Securities") of HL&P CAPITAL TRUST \_\_, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Trust Agreement, dated as of January \_\_, 1997 (the "Trust Agreement"), among the Guarantor, as Depositor, the Property Trustee, the Delaware Trustee and the Administrative Trustees named therein and the Holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing \$\_\_\_\_,000,000 aggregate Liquidation Amount (as defined in the Trust Agreement) of its \_\_\_\_% Capital Securities, Series \_\_, Liquidation Amount \$1,000 per capital security (the "Capital Securities"), and its \$\_\_\_\_\_ aggregate Liquidation Amount (as defined in the Trust Agreement) of its Common Securities, Series \_\_, Liquidation Amount \$1,000 per common security (the "Common Securities"), each representing undivided beneficial interests in the assets of the Issuer and having the terms set forth in the Trust Agreement;

WHEREAS, the Issuer will use the proceeds of the issuance of the Securities to purchase the Debentures (as defined in the Trust Agreement) of the Guarantor, which will be deposited with The Bank of New York, a New York banking corporation, as Property Trustee under the Trust Agreement, as trust assets; and

WHEREAS, as an incentive for the Holders to purchase Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth herein, to pay to the Holders of the Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of 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 of the Securities.

### ARTICLE I. DEFINITIONS

#### SECTION 1.1. Definitions.

As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized or otherwise defined terms used but

not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"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.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Issuer.

"Debentures" has the meaning specified in the Trust Agreement.

"Event of Default" means a default by the Guarantor on any of its payments or other obligations under this Guarantee Agreement; provided, however, that, except with respect to a default in payment of any Guarantee Payments, the Guarantor shall have received notice of 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 Securities, to the extent not paid or made by or on behalf of the Issuer: (i) any accumulated and unpaid Distributions (as defined in the Trust Agreement) required to be paid on the Securities, to the extent the Issuer shall have funds on hand available therefor at such time, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price"), with respect to any Securities called for redemption by the Issuer, to the extent the Issuer shall have funds on hand available therefor at such time, and (iii) upon a voluntary or involuntary dissolution, winding-up or liquidation of the Issuer, unless Debentures are distributed to the Holders, the lesser of (a) the aggregate of the Liquidation Amount of \$1,000 per Security plus accrued and unpaid Distributions on the Securities to the date of payment and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer after satisfaction of liabilities to creditors 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 Securities Registrar, of any Securities; provided, however, that in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor, the Guarantee Trustee, or any Affiliate of the Guarantor or the Guarantee Trustee.

"Indenture" means the Junior Subordinated Indenture, dated as of January \_\_, 1997, as supplemented and amended, between the Guarantor and The Bank of New York, a New York banking corporation as trustee.

"List of Holders" has the meaning specified in Section 2.2(a).

"Majority in Liquidation Amount of the Securities" means, except as provided by the Trust Indenture Act, a vote by the Holder(s), voting separately as a class, of more than 50% of the Liquidation Amount of all then outstanding Securities issued by the Issuer.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman and Chief Executive Officer, President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, 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 2.5 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:

(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 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 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.

"Responsible Officer" means, with respect to the Guarantee Trustee, any Vice President, any Assistant Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, any Trust Officer or any other officer of the [Corporate Trust Services Office] of the Guarantee Trustee and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

## ARTICLE II. TRUST INDENTURE ACT

### SECTION 2.1. 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 Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

### SECTION 2.2. List of Holders.

(a) The Guarantor will furnish or cause to be furnished to the Guarantee Trustee: (i) semiannually, not more than 15 days after \_\_\_\_\_ and \_\_\_\_\_ in each year, a list, in such form as the Guarantee Trustee may reasonably require, of the names and addresses of the Holders as of such \_\_\_\_\_ and \_\_\_\_\_, and (ii) at such other times as the Guarantee Trustee may request in writing, within 30 days after the receipt by the Guarantor 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, excluding from any such list names and addresses received by the Guarantee Trustee in its capacity as Securities Registrar.

(b) The Guarantee Trustee shall comply with its obligations under Section 311(a), Section 311(b) and Section 312(b) of the Trust Indenture Act.

### SECTION 2.3. Reports by the Guarantee Trustee.

Not later than March 31 of each year, commencing March 31, 199\_, the Guarantee Trustee shall provide to the Holders such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

### SECTION 2.4. Periodic Reports to the Guarantee Trustee.

The Guarantor shall provide to the Guarantee Trustee, the Securities and Exchange Commission and the Holders such documents, reports and information, if any, as required by Section

314 of the Trust Indenture Act and the compliance certificate required by Section 314 of the Trust Indenture Act, in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. 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 or determinable from 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 2.5. Evidence of Compliance with Conditions Precedent.

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with such conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6. Events of Default; Waiver.

The Holders of a Majority in Liquidation Amount of the 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 therefrom.

SECTION 2.7. Event of Default; Notice.

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default actually known to a Responsible Officer of the Guarantee Trustee, unless such defaults have been cured before the giving of such notice, provided, that, except in the case of a default in the payment of a Guarantee Payment, the Guarantee Trustee shall be protected in withholding such notice if and so long as a committee of Responsible Officers of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless a Responsible Officer charged with the administration of this Guarantee Agreement shall have obtained written notice of such Event of Default.

SECTION 2.8. Conflicting Interests.

The Trust Agreement 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 III. POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

SECTION 3.1. Powers and Duties of the Guarantee Trustee.

(a) This Guarantee Agreement shall be held by the Guarantee Trustee for the benefit of the Holders, and the Guarantee Trustee shall not transfer this Guarantee Agreement to any Person except a Holder exercising his or her rights pursuant to Section 5.4(iv) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, upon acceptance by such Successor Guarantee Trustee of its appointment hereunder, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(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) The Guarantee Trustee, before the occurrence of any 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 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 2.6), 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.

(d) 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 any 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

(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 of 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 on their face to the requirements of this Guarantee Agreement;

(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 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 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 the Guarantee Trustee 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.

#### SECTION 3.2. Certain Rights of Guarantee Trustee.

(a) Subject to the provisions of Section 3.1:

(i) The Guarantee Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate unless otherwise prescribed herein.

(iii) Whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting to take 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 from the Guarantee Trustee, shall be promptly delivered by the Guarantor.

(iv) The Guarantee Trustee may consult with legal counsel, and the advice or opinion of such legal counsel of its selection with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion. Such legal counsel may be legal counsel to the Guarantor or any of its Affiliates and may be one of its employees. The Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction.

(v) 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 provided to the Guarantee Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Guarantee 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, including such reasonable advances as may be requested by the Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(v) shall be taken to relieve the Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee Agreement.

(vi) The Guarantee 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, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

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

(viii) Whenever in the administration of this Guarantee Agreement the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (A) may request instructions from the Holders, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be fully protected in acting in accordance with such instructions.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or

obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty to act in accordance with such power and authority.

### SECTION 3.3. Indemnity.

The Guarantor agrees to indemnify the Guarantee Trustee for, and to hold it harmless against, any and all loss, damage, claims, liability or expense, including taxes (other than taxes based on the income of the Guarantee Trustee), incurred without negligence or bad faith on the part of the Guarantee Trustee arising out of or in connection with the acceptance or administration of this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Guarantee Trustee will not claim or exact any lien or charge on any Guarantee Payments as a result of any amount due to it under this Guarantee Agreement. This indemnity shall survive the termination of this Guarantee Agreement.

### SECTION 3.4 COMPENSATION AND REIMBURSEMENT.

The Guarantor agrees (i) to pay to the Guarantee Trustee from time to time such compensation as the Guarantor and the Guarantee Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (ii) except as otherwise expressly provided herein, to 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 provision of this Guarantee Agreement (including the compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith. This Section 3.4 shall survive the termination of this Guarantee Agreement for a period of one year following the termination of this Guarantee Agreement or any reinstatement thereof pursuant to Section 7.1.

## ARTICLE IV. GUARANTEE TRUSTEE

### SECTION 4.1. Guarantee Trustee; Eligibility.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000, and shall be a corporation meeting the requirements of Section 310(a) of the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority, then, for the purposes of this Section and to the extent permitted by the Trust Indenture Act, 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.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and the Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2. Appointment, Removal and Resignation of the Guarantee

Trustee.

(a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed by the Guarantor (i) without cause at any time when an Event of Default has not occurred and is continuing and (ii) at any time when the Guarantee Trustee ceases to be eligible to act as the Guarantee Trustee pursuant to Section 4.1 hereof or becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Guarantee Trustee or of its property is appointed or any public officer takes charge or control of the Guarantee Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(b) The Guarantee Trustee shall not be removed until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed hereunder shall hold office until a Successor Guarantee Trustee shall have been appointed or until its removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Guarantee Trustee may petition, at the expense of the Guarantor, any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Guarantee Trustee.

ARTICLE V. GUARANTEE

SECTION 5.1. Guarantee.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer), as and when due, regardless of any defense, right of setoff 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 5.2. Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of the 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 Guarantee Trustee, 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.

SECTION 5.3. 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 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 results from the extension of any interest payment period on the Debentures as provided in the Indenture), Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Securities;

(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 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 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 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain the consent of, the Guarantor with respect to the happening of any of the foregoing.

#### SECTION 5.4. Rights of Holders.

The Guarantor expressly acknowledges 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) the Holders of not less than a Majority in Liquidation Amount of the 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 power conferred upon the Guarantee Trustee under this Guarantee Agreement; and (iv) 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 or any other Person.

#### SECTION 5.5. Guarantee of Payment.

This Guarantee Agreement creates a guarantee of payment and not 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 distribution of Debentures to the Holders as provided in the Trust Agreement.

#### SECTION 5.6. 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 and shall have the right to waive payment by the Issuer pursuant to Section 5.1; 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 5.7. Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the 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 5.3 hereof.

## ARTICLE VI. COVENANTS AND SUBORDINATION

### SECTION 6.1. Subordination.

The obligations of the Guarantor under this Guarantee Agreement will constitute unsecured obligations of the Guarantor and will rank subordinate and junior in right of payment to all Senior Debt (as defined in the Indenture) of the Guarantor to the extent and in the manner set forth in the Indenture with respect to the Debentures, and the provisions of Article XIII of the Indenture will apply, mutatis mutandis, to the obligations of the Guarantor hereunder. The obligations of the Guarantor hereunder do not constitute Senior Debt (as defined in the Indenture) of the Guarantor.

### SECTION 6.2. Pari Passu Guarantees.

The obligations of the Guarantor under this Guarantee Agreement shall rank pari passu with the obligations of the Guarantor under any similar Guarantee Agreements issued by the Guarantor on behalf of the holders of preferred or capital securities issued by any HL&P Trust (as defined in the Indenture).

## ARTICLE VII. TERMINATION

### SECTION 7.1. Termination.

This Guarantee Agreement shall terminate and be of no further force and effect upon (i) full payment of the Redemption Price of all Securities, (ii) the distribution of Debentures to the Holders in exchange for all of the Securities or (iii) full payment of the amounts payable in accordance with the Trust Agreement 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 Securities or this Guarantee Agreement. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Issuer or upon distribution of Debentures to the Holders as provided in the Trust Agreement.

## ARTICLE VIII. MISCELLANEOUS

### SECTION 8.1. Successors and Assigns.

All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article VIII of the Indenture and pursuant to which the successor or assignee agrees in writing to perform the Guarantor's obligations hereunder, the Guarantor shall not assign its obligations hereunder.

SECTION 8.2. Amendments.

Except with respect to any changes which do not adversely affect the rights of the Holders in any material respect (in which case no consent of the Holders will be required), this Guarantee Agreement may be amended only with the prior approval of the Holders of not less than a Majority in Liquidation Amount of the Securities. The provisions of Article VI of the Trust Agreement concerning meetings of the Holders shall apply to the giving of such approval.

SECTION 8.3. 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, facsimile number or to the attention of such other Person as the Guarantor may give notice to the Holders:

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

(b) if given to the Issuer, in care of the Guarantee Trustee, at the Issuer's (and the Guarantee Trustee's) address set forth below or such other address as the Guarantee Trustee on behalf of the Issuer may give notice to the Holders:

HL&P Capital Trust \_\_\_\_  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899

with a copy to:

The Bank of New York  
101 Barclay Street, Floor 21 West  
New York, New York 10286  
Facsimile No.: (212) 815-5915  
Attention: Corporate Trust Trustee Administration

(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 8.4. Benefit.

This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Securities.

#### SECTION 8.5. Interpretation.

In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.1;

(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;

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



(g) the masculine, feminine or neuter gender used herein shall include the masculine, feminine and neuter genders.

SECTION 8.6. 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 THE CONFLICTS OF LAW PRINCIPLES THEREOF.

SECTION 8.7 Limited Liability.

The Holders of the Capital Securities, in their capacities as such, shall not be personally liable for any liabilities or obligations of the Issuer arising out of this Agreement, and the parties hereto hereby agree that the Holders of the Capital 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.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

The Bank of New York,  
as Guarantee Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GUARANTEE AGREEMENT

Between

HOUSTON LIGHTING & POWER COMPANY  
(as Guarantor)

and

THE BANK OF NEW YORK  
(as Trustee)

dated as of

January \_\_, 1997

---

CROSS-REFERENCE TABLE/\*\*/

Section of  
Trust Indenture Act  
of 1939, as amended  
-----

Section of  
Guarantee Agreement  
-----

310(a).....	4.1(a)
310(b).....	4.1(c), 2.8
310(c).....	Inapplicable
311(a).....	2.2(b)
311(b).....	2.2(b)
311(c).....	Inapplicable
312(a).....	2.2(a)
312(b).....	2.2(b)
313.....	2.3
314(a).....	2.4
314(b).....	Inapplicable
314(c).....	2.5
314(d).....	Inapplicable
314(e).....	1.1, 2.5, 3.2
314(f).....	2.1, 3.2
315(a).....	3.1(d)
315(b).....	2.7
315(c).....	3.1
315(d).....	3.1(d)
316(a).....	1.1, 2.6, 5.4
316(b).....	5.3
316(c).....	8.2
317(a).....	Inapplicable
317(b).....	Inapplicable
318(a).....	2.1 (b)
318(b).....	2.1
318(c).....	2.1 (a)

-----  
/\*\*/ This Cross-Reference Table does not constitute part of the Guarantee Agreement and shall not affect the interpretation of any of its terms or provisions.

TABLE OF CONTENTS

	Page
	----
ARTICLE I. DEFINITIONS.....	1
SECTION 1.1. Definitions.....	1
ARTICLE II. TRUST INDENTURE ACT.....	4
SECTION 2.1. Trust Indenture Act; Application.....	4
SECTION 2.2. List of Holders.....	4
SECTION 2.3. Reports by the Guarantee Trustee.....	4
SECTION 2.4. Periodic Reports to the Guarantee Trustee.....	4
SECTION 2.5. Evidence of Compliance with Conditions Precedent.....	5
SECTION 2.6. Events of Default; Waiver.....	5
SECTION 2.7. Event of Default; Notice.....	5
SECTION 2.8. Conflicting Interests.....	5
ARTICLE III. POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE.....	6
SECTION 3.1. Powers and Duties of the Guarantee Trustee.....	6
SECTION 3.2. Certain Rights of Guarantee Trustee.....	7
SECTION 3.3. Indemnity.....	9
SECTION 3.4. Compensation and Reimbursement.....	9
ARTICLE IV. GUARANTEE TRUSTEE.....	9
SECTION 4.1. Guarantee Trustee; Eligibility.....	9
SECTION 4.2. Appointment, Removal and Resignation of the Guarantee Trustee.....	10
ARTICLE V. GUARANTEE.....	10
SECTION 5.1. Guarantee.....	10
SECTION 5.2. Waiver of Notice and Demand.....	11
SECTION 5.3. Obligations Not Affected.....	11
SECTION 5.4. Rights of Holders.....	12
SECTION 5.5. Guarantee of Payment.....	12
SECTION 5.6. Subrogation.....	12
SECTION 5.7. Independent Obligations.....	12
ARTICLE VI. COVENANTS AND SUBORDINATION.....	13
SECTION 6.1. Subordination.....	13
SECTION 6.2. Pari Passu Guarantees.....	13
ARTICLE VII. TERMINATION.....	13
SECTION 7.1. Termination.....	13
ARTICLE VIII. MISCELLANEOUS.....	13

SECTION 8.1.	Successors and Assigns.....	13
SECTION 8.2.	Amendments.....	14
SECTION 8.3.	Notices.....	14
SECTION 8.4.	Benefit.....	15
SECTION 8.5.	Interpretation.....	15
SECTION 8.6.	Governing Law.....	16
SECTION 8.7.	Limited Liability.....	16

## GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT, dated as of January \_\_, 1997, is executed and delivered by HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Guarantor"), having its principal office at Houston Industries Plaza, 1111 Louisiana Street, Houston, Texas 77002, and The Bank of New York, a New York banking corporation, as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities and the Common Securities (each as defined herein and, together, the "Securities") of HL&P CAPITAL TRUST \_\_, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Trust Agreement, dated as of January \_\_, 1997 (the "Trust Agreement"), among the Guarantor, as Depositor, the Property Trustee, the Delaware Trustee and the Administrative Trustees named therein and the Holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing \$ \_\_,000,000 aggregate Liquidation Amount (as defined in the Trust Agreement) of its \_\_\_\_% Trust Preferred Securities, Series \_\_, Liquidation Amount \$25 per preferred security (the "Preferred Securities"), and its \$ \_\_\_\_\_ aggregate Liquidation Amount (as defined in the Trust Agreement) of its Common Securities, Series \_\_, Liquidation Amount \$25 per common security (the "Common Securities"), each representing undivided beneficial interests in the assets of the Issuer and having the terms set forth in the Trust Agreement;

WHEREAS, the Issuer will use the proceeds of the issuance of the Securities to purchase the Debentures (as defined in the Trust Agreement) of the Guarantor, which will be deposited with The Bank of New York, a New York banking corporation, as Property Trustee under the Trust Agreement, as trust assets; and

WHEREAS, as an incentive for the Holders to purchase Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth herein, to pay to the Holders of the Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of 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 of the Securities.

### ARTICLE I. DEFINITIONS

#### SECTION 1.1. Definitions.

As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized or otherwise defined terms used but

not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"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.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Issuer.

"Debentures" has the meaning specified in the Trust Agreement.

"Event of Default" means a default by the Guarantor on any of its payments or other obligations under this Guarantee Agreement; provided, however, that, except with respect to a default in payment of any Guarantee Payments, the Guarantor shall have received notice of 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 Securities, to the extent not paid or made by or on behalf of the Issuer: (i) any accumulated and unpaid Distributions (as defined in the Trust Agreement) required to be paid on the Securities, to the extent the Issuer shall have funds on hand available therefor at such time, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price"), with respect to any Securities called for redemption by the Issuer, to the extent the Issuer shall have funds on hand available therefor at such time, and (iii) upon a voluntary or involuntary dissolution, winding-up or liquidation of the Issuer, unless Debentures are distributed to the Holders, the lesser of (a) the aggregate of the Liquidation Amount of \$25 per Security plus accrued and unpaid Distributions on the Securities to the date of payment and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer after satisfaction of liabilities to creditors 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 Securities Registrar, of any Securities; provided, however, that in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor, the Guarantee Trustee, or any Affiliate of the Guarantor or the Guarantee Trustee.

"Indenture" means the Junior Subordinated Indenture, dated as of January \_\_, 1997, as supplemented and amended, between the Guarantor and The Bank of New York, a New York banking corporation, as trustee.

"List of Holders" has the meaning specified in Section 2.2(a).

"Majority in Liquidation Amount of the Securities" means, except as provided by the Trust Indenture Act, a vote by the Holder(s), voting separately as a class, of more than 50% of the Liquidation Amount of all then outstanding Securities issued by the Issuer.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman and Chief Executive Officer, President or a Vice President, and by the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Controller, 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 2.5 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:

(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 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 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.

"Responsible Officer" means, with respect to the Guarantee Trustee, any Vice President, any Assistant Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, any Trust Officer or any other officer of the [Corporate Trust Services Office] of the Guarantee Trustee and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.



"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

## ARTICLE II. TRUST INDENTURE ACT

### SECTION 2.1. 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 Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

### SECTION 2.2. List of Holders.

(a) The Guarantor will furnish or cause to be furnished to the Guarantee Trustee: (i) semiannually, not more than 15 days after \_\_\_\_\_ and \_\_\_\_\_ in each year, a list, in such form as the Guarantee Trustee may reasonably require, of the names and addresses of the Holders as of such \_\_\_\_\_ and \_\_\_\_\_, and (ii) at such other times as the Guarantee Trustee may request in writing, within 30 days after the receipt by the Guarantor 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, excluding from any such list names and addresses received by the Guarantee Trustee in its capacity as Securities Registrar.

(b) The Guarantee Trustee shall comply with its obligations under Section 311(a), Section 311(b) and Section 312(b) of the Trust Indenture Act.

### SECTION 2.3. Reports by the Guarantee Trustee.

Not later than March 31 of each year, commencing March 31, 199\_, the Guarantee Trustee shall provide to the Holders such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

### SECTION 2.4. Periodic Reports to the Guarantee Trustee.

The Guarantor shall provide to the Guarantee Trustee, the Securities and Exchange Commission and the Holders such documents, reports and information, if any, as required by Section

314 of the Trust Indenture Act and the compliance certificate required by Section 314 of the Trust Indenture Act, in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. 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 or determinable from 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 2.5. Evidence of Compliance with Conditions Precedent.

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with such conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6. Events of Default; Waiver.

The Holders of a Majority in Liquidation Amount of the 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 therefrom.

SECTION 2.7. Event of Default; Notice.

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default actually known to a Responsible Officer of the Guarantee Trustee, unless such defaults have been cured before the giving of such notice, provided, that, except in the case of a default in the payment of a Guarantee Payment, the Guarantee Trustee shall be protected in withholding such notice if and so long as a committee of Responsible Officers of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless a Responsible Officer charged with the administration of this Guarantee Agreement shall have obtained written notice of such Event of Default.

SECTION 2.8. Conflicting Interests.

The Trust Agreement 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 III. POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

SECTION 3.1. Powers and Duties of the Guarantee Trustee.

(a) This Guarantee Agreement shall be held by the Guarantee Trustee for the benefit of the Holders, and the Guarantee Trustee shall not transfer this Guarantee Agreement to any Person except a Holder exercising his or her rights pursuant to Section 5.4(iv) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, upon acceptance by such Successor Guarantee Trustee of its appointment hereunder, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(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) The Guarantee Trustee, before the occurrence of any 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 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 2.6), 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.

(d) 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 any 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

(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 of 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 on their face to the requirements of this Guarantee Agreement;

(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 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 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 the Guarantee Trustee 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.

#### SECTION 3.2. Certain Rights of Guarantee Trustee.

(a) Subject to the provisions of Section 3.1:

(i) The Guarantee Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate unless otherwise prescribed herein.

(iii) Whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting to take 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 from the Guarantee Trustee, shall be promptly delivered by the Guarantor.

(iv) The Guarantee Trustee may consult with legal counsel, and the advice or opinion of such legal counsel of its selection with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion. Such legal counsel may be legal counsel to the Guarantor or any of its Affiliates and may be one of its employees. The Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction.

(v) 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 provided to the Guarantee Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Guarantee 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, including such reasonable advances as may be requested by the Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(v) shall be taken to relieve the Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee Agreement.

(vi) The Guarantee 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, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

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

(viii) Whenever in the administration of this Guarantee Agreement the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (A) may request instructions from the Holders, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be fully protected in acting in accordance with such instructions.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or

obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty to act in accordance with such power and authority.

### SECTION 3.3. Indemnity.

The Guarantor agrees to indemnify the Guarantee Trustee for, and to hold it harmless against, any and all loss, damage, claims, liability or expense, including taxes (other than taxes based on the income of the Guarantee Trustee), incurred without negligence or bad faith on the part of the Guarantee Trustee arising out of or in connection with the acceptance or administration of this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Guarantee Trustee will not claim or exact any lien or charge on any Guarantee Payments as a result of any amount due to it under this Guarantee Agreement. This indemnity shall survive the termination of this Guarantee Agreement.

### SECTION 3.4. Compensation and Reimbursement.

The Guarantor agrees (i) to pay to the Guarantee Trustee from time to time such compensation as the Guarantor and the Guarantee Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (ii) except as otherwise expressly provided herein, to 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 provision of this Guarantee Agreement (including the compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith. This Section 3.4 shall survive the termination of this Guarantee Agreement for a period of one year following the termination of this Guarantee Agreement or any reinstatement thereof pursuant to Section 7.1.

## ARTICLE IV. GUARANTEE TRUSTEE

### SECTION 4.1. Guarantee Trustee; Eligibility.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000, and shall be a corporation meeting the requirements of Section 310(a) of the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority, then, for the purposes of this Section and to the extent permitted by the Trust Indenture Act, 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.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and the Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2. Appointment, Removal and Resignation of the Guarantee

Trustee.

(a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed by the Guarantor (i) without cause at any time when an Event of Default has not occurred and is continuing and (ii) at any time when the Guarantee Trustee ceases to be eligible to act as the Guarantee Trustee pursuant to Section 4.1 hereof or becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Guarantee Trustee or of its property is appointed or any public officer takes charge or control of the Guarantee Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

(b) The Guarantee Trustee shall not be removed until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed hereunder shall hold office until a Successor Guarantee Trustee shall have been appointed or until its removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Guarantee Trustee may petition, at the expense of the Guarantor, any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Guarantee Trustee.

ARTICLE V. GUARANTEE

SECTION 5.1. Guarantee.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer), as and when due, regardless of any defense, right of setoff 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 5.2. Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of the 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 Guarantee Trustee, 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.

SECTION 5.3. 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 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 results from the extension of any interest payment period on the Debentures as provided in the Indenture), Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Securities;

(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 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 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 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.



There shall be no obligation of the Holders to give notice to, or obtain the consent of, the Guarantor with respect to the happening of any of the foregoing.

#### SECTION 5.4. Rights of Holders.

The Guarantor expressly acknowledges 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) the Holders of not less than a Majority in Liquidation Amount of the 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 power conferred upon the Guarantee Trustee under this Guarantee Agreement; and (iv) 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 or any other Person.

#### SECTION 5.5. Guarantee of Payment.

This Guarantee Agreement creates a guarantee of payment and not 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 distribution of Debentures to the Holders as provided in the Trust Agreement.

#### SECTION 5.6. 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 and shall have the right to waive payment by the Issuer pursuant to Section 5.1; 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 5.7. Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the 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 5.3 hereof.

## ARTICLE VI. COVENANTS AND SUBORDINATION

### SECTION 6.1. Subordination.

The obligations of the Guarantor under this Guarantee Agreement will constitute unsecured obligations of the Guarantor and will rank subordinate and junior in right of payment to all Senior Debt (as defined in the Indenture) of the Guarantor to the extent and in the manner set forth in the Indenture with respect to the Debentures, and the provisions of Article XIII of the Indenture will apply, mutatis mutandis, to the obligations of the Guarantor hereunder. The obligations of the Guarantor hereunder do not constitute Senior Debt (as defined in the Indenture) of the Guarantor.

### SECTION 6.2. Pari Passu Guarantees.

The obligations of the Guarantor under this Guarantee Agreement shall rank pari passu with the obligations of the Guarantor under any similar Guarantee Agreements issued by the Guarantor on behalf of the holders of preferred or capital securities issued by any HL&P Trust (as defined in the Indenture).

## ARTICLE VII. TERMINATION

### SECTION 7.1. Termination.

This Guarantee Agreement shall terminate and be of no further force and effect upon (i) full payment of the Redemption Price of all Securities, (ii) the distribution of Debentures to the Holders in exchange for all of the Securities or (iii) full payment of the amounts payable in accordance with the Trust Agreement 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 Securities or this Guarantee Agreement. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Issuer or upon distribution of Debentures to the Holders as provided in the Trust Agreement.

## ARTICLE VIII. MISCELLANEOUS

### SECTION 8.1. Successors and Assigns.

All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article VIII of the Indenture and pursuant to which the successor or assignee agrees in writing to perform the Guarantor's obligations hereunder, the Guarantor shall not assign its obligations hereunder.

SECTION 8.2. Amendments.

Except with respect to any changes which do not adversely affect the rights of the Holders in any material respect (in which case no consent of the Holders will be required), this Guarantee Agreement may be amended only with the prior approval of the Holders of not less than a Majority in Liquidation Amount of the Securities. The provisions of Article VI of the Trust Agreement concerning meetings of the Holders shall apply to the giving of such approval.

SECTION 8.3. 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, facsimile number or to the attention of such other Person as the Guarantor may give notice to the Holders:

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002  
Facsimile No.: (713) 207-3301  
Attention: Treasurer

(b) if given to the Issuer, in care of the Guarantee Trustee, at the Issuer's (and the Guarantee Trustee's) address set forth below or such other address as the Guarantee Trustee on behalf of the Issuer may give notice to the Holders:

HL&P Capital Trust \_\_\_\_\_  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899

with a copy to:

The Bank of New York  
101 Barclay Street, Floor 21 West  
New York, New York 10286  
Facsimile No.: (212) 815-5915  
Attention: Corporate Trust Trustee Administration

(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 8.4. Benefit.

This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Securities.

#### SECTION 8.5. Interpretation.

In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.1;

(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;

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

(g) the masculine, feminine or neuter gender used herein shall include the masculine, feminine and neuter genders.

SECTION 8.6. 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 THE CONFLICTS OF LAW PRINCIPLES THEREOF.

SECTION 8.7. Limited Liability.

The Holders of the Preferred Securities, in their capacities as such, shall not be personally liable for any liabilities or obligations of the Issuer 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.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

HOUSTON LIGHTING & POWER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE BANK OF NEW YORK,  
as Guarantee Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

January 21, 1997

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana Street  
Houston, Texas 77002

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-3 (the "Registration Statement"), filed by HL&P Capital Trust I, HL&P Capital Trust II, HL&P Capital Trust III and HL&P Capital Trust IV, each a statutory business trust formed under the laws of the State of Delaware (each, an "Issuer" and, collectively, the "Issuers"), and Houston Lighting & Power Company, a Texas corporation (the "Company"), with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the proposed issuance and sale from time to time of up to \$350,000,000 in aggregate principal amount of (i) the Company's Junior Subordinated Deferrable Interest Debentures (the "Debentures"), each series of which will be issued pursuant to a Junior Subordinated Indenture (the "Indenture") to be entered into between the Company and The Bank of New York, as Trustee, as such Indenture will be supplemented, in connection with the issuance of each such series, by a supplemental indenture creating such series (each, a "Supplemental Indenture" and, collectively, the "Supplemental Indentures"), (ii) \$350,000,000 aggregate liquidation amount of preferred securities (the "Preferred Securities") or capital securities (the "Capital Securities") of the Issuers and (iii) the Company's guarantees with respect to the Preferred Securities and the Capital Securities (each, a "Guarantee" and, collectively, the "Guarantees"), each of which Guarantees will be issued pursuant to a guarantee agreement between the Company and The Bank of New York as Trustee thereunder (each, a "Guarantee Agreement" and, collectively, the "Guarantee Agreements"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Registration Statement.

In our capacity as your counsel in the connection referred to above, we have examined the Restated Articles of Incorporation and Amended and Restated Bylaws of the Company, as amended to date, forms (filed as exhibits to the Registration Statement) of each of the Indenture, the Supplemental Indentures and the Guarantees and have examined the originals, or copies certified or otherwise identified, of corporate records of the Company, including minute books of the Company as furnished to us by the Company, certificates of public officials and of representatives of the Company, statutes and other instruments or documents, as a basis for the opinions hereinafter expressed. In giving such opinions, we have relied upon certificates of officers of the Company with respect to the accuracy of the material factual matters contained in such certificates. In making our examination, we have assumed that all signatures on documents examined by us are genuine, that all documents submitted to us as originals are authentic and that

January 21, 1997

all documents submitted to us as certified or photostatic copies conform with the original copies of such documents.

On the basis of the foregoing, and subject to the assumptions, limitations and qualifications set forth herein, we are of the opinion that:

1. The Debentures, when (i) issued and duly executed and authenticated in accordance with the terms of (a) the Indenture and (b) the applicable Supplemental Indenture creating such series of Debentures, in the forms filed as exhibits to the Registration Statement (and assuming the due authorization, execution and delivery of the Indenture and the applicable Supplemental Indenture by each of the parties thereto), and (ii) delivered against payment of the agreed consideration therefor, will be legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as such enforceability is subject to (x) any applicable bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and (y) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

2. The Guarantees, when issued pursuant to the applicable Guarantee Agreement, in the form filed as an exhibit to the Registration Statement (and assuming the due authorization, execution and delivery of the applicable Guarantee Agreement by each of the parties thereto), will be legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as such enforceability is subject to (i) any applicable bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The opinions set forth above are limited in all respects to matters of Texas law as in effect on the date hereof. At your request, this opinion is being furnished to you for filing as Exhibit 5 to the Registration Statement. Additionally, we hereby consent to the reference to our Firm under the caption "Validity of Securities" in the Registration Statement. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

We are delivering this opinion to the Company, and no person other than the Company may rely upon it without our prior written consent.

Very truly yours,

BAKER & BOTTS, L.L.P.

MSS/TST

[Letterhead of Richards, Layton & Finger]

January 21, 1997

HL&P Capital Trust I  
c/o Houston Lighting & Power Company  
Houston Industries Incorporated  
1111 Louisiana Street  
Houston, Texas 77002

Re: HL&P Capital Trust I  
-----

Ladies and Gentlemen:

We have acted as special Delaware counsel for Houston Lighting & Power Company, a Texas corporation ("HL&P"), and HL&P Capital Trust I, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of January 10, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on January 10, 1997;

(b) The Trust Agreement of the Trust, dated as of January 10, 1997, among HL&P, as depositor, and the trustee of the Trust named therein;



(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus") and preliminary prospectus supplements (the "Prospectus Supplements"), relating to the \_\_\_% Preferred Securities, Series \_\_, and the \_\_\_% Capital Securities, Series \_\_, of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Security" and collectively, the "Securities"), as proposed to be filed by HL&P, the Trust and others as set forth therein with the Securities and Exchange Commission on or about January 21, 1997;

(d) A form of Amended and Restated Trust Agreement of the Trust, to be entered into among HL&P, as depositor, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust (excluding Exhibits thereto) (the "Trust Agreement"), attached as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated January 21, 1997, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural

persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Security is to be issued by the Trust (collectively, the "Security Holders") of a certificate for such Security in the form prescribed by the Trust Agreement and the payment for the Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Securities are issued and sold to the Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.

2. The Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

3. The Security Holders, as beneficial owners of the Trust, 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. We note that the Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of Securities" in the Prospectus and the Prospectus Supplements. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as

amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

PMA/GWL/jj

[Letterhead of Richards, Layton & Finger]

January 21, 1997

HL&P Capital Trust II  
c/o Houston Lighting & Power Company  
Houston Industries Incorporated  
1111 Louisiana Street  
Houston, Texas 77002

Re: HL&P Capital Trust II  
-----

Ladies and Gentlemen:

We have acted as special Delaware counsel for Houston Lighting & Power Company, a Texas corporation ("HL&P"), and HL&P Capital Trust II, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

- (a) The Certificate of Trust of the Trust, dated as of January 10, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on January 10, 1997;
- (b) The Trust Agreement of the Trust, dated as of January 10, 1997, among HL&P, as depositor, and the trustee of the Trust named therein;

(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus") and preliminary prospectus supplements (the "Prospectus Supplements"), relating to the \_\_\_% Preferred Securities, Series \_\_, and the \_\_\_% Capital Securities, Series \_\_, of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Security" and collectively, the "Securities"), as proposed to be filed by HL&P, the Trust and others as set forth therein with the Securities and Exchange Commission on or about January 21, 1997;

(d) A form of Amended and Restated Trust Agreement of the Trust, to be entered into among HL&P, as depositor, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust (excluding Exhibits thereto) (the "Trust Agreement"), attached as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated January 21, 1997, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural

persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Security is to be issued by the Trust (collectively, the "Security Holders") of a certificate for such Security in the form prescribed by the Trust Agreement and the payment for the Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Securities are issued and sold to the Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.

2. The Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

3. The Security Holders, as beneficial owners of the Trust, 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. We note that the Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of Securities" in the Prospectus and the Prospectus Supplements. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as

amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

PMA/GWL/jj

[Letterhead of Richards, Layton & Finger]

January 21, 1997

HL&P Capital Trust III  
c/o Houston Lighting & Power Company  
Houston Industries Incorporated  
1111 Louisiana Street  
Houston, Texas 77002

Re: HL&P Capital Trust III  
-----

Ladies and Gentlemen:

We have acted as special Delaware counsel for Houston Lighting & Power Company, a Texas corporation ("HL&P"), and HL&P Capital Trust III, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of January 10, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on January 10, 1997;

(b) The Trust Agreement of the Trust, dated as of January 10, 1997, among HL&P, as depositor, and the trustee of the Trust named therein;



(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus") and preliminary prospectus supplements (the "Prospectus Supplements"), relating to the \_\_\_% Preferred Securities, Series \_\_, and the \_\_\_% Capital Securities, Series \_\_, of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Security" and collectively, the "Securities"), as proposed to be filed by HL&P, the Trust and others as set forth therein with the Securities and Exchange Commission on or about January 21, 1997;

(d) A form of Amended and Restated Trust Agreement of the Trust, to be entered into among HL&P, as depositor, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust (excluding Exhibits thereto) (the "Trust Agreement"), attached as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated January 21, 1997, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural

persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Security is to be issued by the Trust (collectively, the "Security Holders") of a certificate for such Security in the form prescribed by the Trust Agreement and the payment for the Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Securities are issued and sold to the Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.

2. The Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

3. The Security Holders, as beneficial owners of the Trust, 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. We note that the Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of Securities" in the Prospectus and the Prospectus Supplements. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as

amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

PMA/GWL/jj

[Letterhead of Richards, Layton & Finger]

January 21, 1997

HL&P Capital Trust IV  
c/o Houston Lighting & Power Company  
Houston Industries Incorporated  
1111 Louisiana Street  
Houston, Texas 77002

Re: HL&P Capital Trust IV  
-----

Ladies and Gentlemen:

We have acted as special Delaware counsel for Houston Lighting & Power Company, a Texas corporation ("HL&P"), and HL&P Capital Trust IV, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of January 10, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on January 10, 1997;

(b) The Trust Agreement of the Trust, dated as of January 10, 1997, among HL&P, as depositor, and the trustee of the Trust named therein;

(c) The Registration Statement (the "Registration Statement") on Form S-3, including a preliminary prospectus (the "Prospectus") and preliminary prospectus supplements (the "Prospectus Supplements"), relating to the \_\_\_% Preferred Securities, Series \_\_, and the \_\_\_% Capital Securities, Series \_\_, of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Security" and collectively, the "Securities"), as proposed to be filed by HL&P, the Trust and others as set forth therein with the Securities and Exchange Commission on or about January 21, 1997;

(d) A form of Amended and Restated Trust Agreement of the Trust, to be entered into among HL&P, as depositor, the trustees of the Trust named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust (excluding Exhibits thereto) (the "Trust Agreement"), attached as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated January 21, 1997, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural

persons who are signatories to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Security is to be issued by the Trust (collectively, the "Security Holders") of a certificate for such Security in the form prescribed by the Trust Agreement and the payment for the Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Securities are issued and sold to the Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.

2. The Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

3. The Security Holders, as beneficial owners of the Trust, 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. We note that the Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of Securities" in the Prospectus and the Prospectus Supplements. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as

amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER

PMA/GWL/jj

January 21, 1997

Houston Lighting & Power Company  
Houston Industries Plaza  
1111 Louisiana  
Houston, Texas 77002-5231

Ladies and Gentlemen:

We have acted as counsel to Houston Lighting & Power Company, a Texas corporation ("HL&P"), and HL&P Capital Trust I, HL&P Capital Trust II, HL&P Capital Trust III and HL&P Capital Trust IV, each of which is a Delaware statutory business trust (each a "Trust" and collectively, the "Trusts"), relating to the registration of (i) \$350,000,000 aggregate principal amount of Junior Subordinated Deferrable Interest Debentures of HL&P (the "Debt Securities") and (ii) \$350,000,000 aggregate liquidation amount of preferred securities (the "Preferred Securities") or capital securities (the "Capital Securities") of the Trusts. In that connection, reference is made to the registration statement under the Securities Act of 1933, as amended, of HL&P and the Trusts on Form S-3 in the form thereof to be filed on or about the date hereof with the Securities and Exchange Commission (the "Registration Statement"), including a prospectus (the "Prospectus"), a prospectus supplement describing the Preferred Securities (the "Prospectus Supplement-Preferred"), and a prospectus supplement describing the Capital Securities (the "Prospectus Supplement-Capital"). Capitalized terms not otherwise defined herein shall have the meaning specified in the Prospectus, the Prospectus Supplement-Preferred, and the Prospectus Supplement-Capital.

We have examined the Prospectus, the Prospectus Supplement-Preferred, and the Prospectus Supplement-Capital, 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 Debt Securities, the Preferred Securities and the Capital Securities will be issued in accordance with the operative documents described in the Prospectus, the Prospectus Supplement-Preferred, and the Prospectus Supplement-Capital.



Based on certain assumptions set forth therein,

(i) statements of legal conclusion set forth under the heading "Certain Federal Income Tax Consequences" in the Prospectus Supplement-Preferred reflect our opinions on the material tax consequences of the purchase, ownership and disposition of the Preferred Securities; and

(ii) statements of legal conclusion set forth under the heading "Certain Federal Income Tax Consequences" in the Prospectus Supplement-Capital reflect our opinions on the material tax consequences of the purchase, ownership and disposition of the Capital 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 Exhibit 8 to the Registration Statement and to the references to this Firm in the sections captioned "Certain Federal Income Tax Consequences" and "Validity of Securities" in the Prospectus Supplement-Preferred and in the Prospectus Supplement-Capital, and "Validity of Securities" in the Prospectus. 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 Securities and Exchange Commission thereunder.

Very truly yours,

BAKER & BOTTS, L.L.P.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Houston Lighting & Power Company ("HL&P") on Form S-3 of our report dated February 29, 1996, appearing in the Annual Report on Form 10-K of HL&P for the year ended December 31, 1995 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Deloitte & Touche LLP

Houston, Texas  
January 21, 1997

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ W. T. Cottle

-----  
W.T. Cottle

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Charles R. Crisp

-----  
Charles R. Crisp

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Jack D. Greenwade

-----  
Jack D. Greenwade

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Lee W. Hogan

-----  
Lee W. Hogan

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Don D. Jordan

-----  
Don D. Jordan

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Hugh Rice Kelly

-----  
Hugh Rice Kelly



HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ R. Steve Letbetter

-----  
R. Steve Letbetter

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Stephen C. Schaeffer

-----  
Stephen C. Schaeffer

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Robert L. Waldrop

-----  
Robert L. Waldrop

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ David M. McClanahan

-----  
David M. McClanahan

HOUSTON LIGHTING & POWER COMPANY

Power of Attorney

-----

(Junior Subordinated Debentures and Preferred Securities)

WHEREAS, HOUSTON LIGHTING & POWER COMPANY, a Texas corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), one or more Registration Statements, each on Form S-3 (the "Registration Statement"), including in each instance any prospectus included therein (a "Prospectus"), with such amendments (including pre-effective and post-effective amendments) to each such Registration Statement and any supplement or supplements to the Prospectus as may be necessary or appropriate, together with any and all exhibits and other documents related to each such Registration Statement or Prospectus, in connection with the registration of junior subordinated debentures of the Company, and/or preferred securities of one or more business trusts to be formed as wholly-owned subsidiaries of the Company.

NOW, THEREFORE, the undersigned in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Don D. Jordan, Hugh Rice Kelly and Stephen W. Naeve, and each of them severally, his true and lawful attorney or attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as a director or officer or both, as the case may be, of the Company, each such Registration Statement referred to above, and any and all amendments (including pre-effective and post-effective amendments) thereto, and any supplements to the Prospectus as said attorneys-in-fact or any of them shall deem necessary or appropriate, together with all instruments necessary or incidental in connection therewith, to file the same or cause the same to be filed with the Commission, and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done, as fully and for all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys-in-fact and each of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this sixth day of January, 1997.

/s/ Stephen W. Naeve

-----  
Stephen W. Naeve

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of  
incorporation or organization) (I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

\_\_\_\_\_  
Junior Subordinated Deferrable Interest Debentures  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By:       /S/MARY LAGUMINA  
-----  
Name:   MARY LAGUMINA  
Title:  ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30,  
1996, published in accordance with a call made by the Federal Reserve Bank of  
this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

=====

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----

THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
48 Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

-----

HL&P CAPITAL TRUST I  
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	To Be Applied For (I.R.S. employer identification no.)
200 West 9th Street Plaza, Box 2105 Wilmington, Delaware (Address of principal executive offices)	19899 (Zip code)

-----

Capital Securities  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ PAUL J. SCHMALZEL

-----

Name: PAUL J. SCHMALZEL

Title: ASSISTANT TREASURER

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400



Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization) 74-0694415  
(I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

-----  
Guarantee of Capital Securities of  
HL&P Capital Trust I  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/PAUL J. SCHMALZEL  
-----  
Name: PAUL J. SCHMALZEL  
Title: ASSISTANT TREASURER

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System, at the close of business September 30,  
1996, published in accordance with a call made by the Federal Reserve Bank of  
this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST II  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Capital Securities  
(Title of the indenture securities)



1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/PAUL J. SCHMALZEL  
-----  
Name: PAUL J. SCHMALZEL  
Title: ASSISTANT TREASURER

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization) 74-0694415  
(I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

-----  
Guarantee of Capital Securities of  
HL&P Capital Trust II  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/PAUL J. SCHMALZEL  
-----  
Name: PAUL J. SCHMALZEL  
Title: ASSISTANT TREASURER

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST III  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Capital Securities  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement  
No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published  
pursuant to law or to the requirements of its supervising or examining  
authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ MARY LAGUMINA

-----  
Name: MARY LAGUMINA

Title: ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400



Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of  
incorporation or organization) (I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

\_\_\_\_\_  
Guarantee of Capital Securities of  
HL&P Capital Trust III  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /S/MARY JANE MORRISSEY  
-----  
Name: MARY JANE MORRISSEY  
Title: VICE PRESIDENT

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System, at the close of business September 30,  
1996 published in accordance with a call made by the Federal Reserve Bank of  
this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST IV  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Capital Securities  
(Title of the indenture securities)



1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ MARY LAGUMINA

-----  
Name: MARY LAGUMINA  
Title: ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot        )  
Thomas A. Renyi        )       Directors  
Alan R. Griffith        )  
                          )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization) 74-0694415  
(I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

-----  
Guarantee of Capital Securities of  
HL&P Capital Trust IV  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/BYRON MERINO  
-----  
Name: BYRON MERINO  
Title: ASSISTANT TREASURER

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot        )  
Thomas A. Renyi        )       Directors  
Alan R. Griffith        )  
                          )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST I  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Preferred Securities  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement  
No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published  
pursuant to law or to the requirements of its supervising or examining  
authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ STEPHEN J. GIURLANDO

-----  
Name: STEPHEN J. GIURLANDO  
Title: ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400



Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York 13-5160382  
(State of incorporation (I.R.S. employer  
if not a U.S. national bank) identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)  
1111 Louisiana 77002  
Houston, Texas (Address of principal executive offices) (Zip code)

-----  
Guarantee of Preferred Securities of  
HL&P Capital Trust I  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement  
No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published  
pursuant to law or to the requirements of its supervising or examining  
authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ MARY LAGUMINA

-----  
Name: MARY LAGUMINA

Title: ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST II  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Preferred Securities  
(Title of the indenture securities)

=====



1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement  
No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published  
pursuant to law or to the requirements of its supervising or examining  
authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ STEPHEN J. GIURLANDO

-----  
Name: STEPHEN J. GIURLANDO  
Title: ASSISTANT VICE PRESIDENT

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System, at the close of business September 30,  
1996, published in accordance with a call made by the Federal Reserve Bank of  
this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York 13-5160382  
(State of incorporation (I.R.S. employer  
if not a U.S. national bank) identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

-----  
Guarantee of Preferred Securities of  
HL&P Capital Trust II  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/MARY LAGUMINA  
-----  
Name: MARY LAGUMINA  
Title: ASSISTANT VICE PRESIDENT

## Consolidated Report of Condition of

## THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated subsidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
<b>Total assets.....</b>	<b>\$44,043,010</b>
	=====
<b>LIABILITIES</b>	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs... Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domestic offices of the bank:	
Federal funds purchased.....	1,565,288
Demand notes issued to the US Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances executed and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400
Other liabilities.....	1,522,884

Total liabilities.....	----- 40,456,160 -----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403) -----
Total equity capital.....	3,586,850 -----
Total liabilities and equity capital.....	\$44,043,010 =====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )     Directors  
Alan R. Griffith            )  
                                  )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST III  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Preferred Securities  
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ PAUL J. SCHMALZEL

-----  
Name: PAUL J. SCHMALZEL  
Title: ASSISTANT TREASURER

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400



Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot        )  
Thomas A. Renyi        )       Directors  
Alan R. Griffith        )  
                          )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York 13-5160382  
(State of incorporation (I.R.S. employer  
if not a U.S. national bank) identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

-----  
Guarantee of Preferred Securities of  
HL&P Capital Trust III  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of New York      2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203

Federal Reserve Bank of New York      33 Liberty Plaza, New York, N.Y. 10045

Federal Deposit Insurance Corporation      Washington, D.C. 20429

New York Clearing House Association      New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act.  
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /S/STEPHEN J. GIURLANDO  
-----  
Name: STEPHEN J. GIURLANDO  
Title: ASSISTANT VICE PRESIDENT

## Consolidated Report of Condition of

## THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated subsidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
<b>Total assets.....</b>	<b>\$44,043,010</b>
	=====
<b>LIABILITIES</b>	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs... Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domestic offices of the bank:	
Federal funds purchased.....	1,565,288
Demand notes issued to the US Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money:	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances executed and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400
Other liabilities.....	1,522,884

Total liabilities.....	----- 40,456,160 -----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403) -----
Total equity capital.....	3,586,850 -----
Total liabilities and equity capital.....	\$44,043,010 =====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot        )  
Thomas A. Renyi        )       Directors  
Alan R. Griffith        )  
                          )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HL&P CAPITAL TRUST IV  
(Exact name of obligor as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization) To Be Applied For  
(I.R.S. employer  
identification no.)  
200 West 9th Street Plaza, Box 2105  
Wilmington, Delaware 19899  
(Address of principal executive offices) (Zip code)

-----  
Preferred Securities  
(Title of the indenture securities)

=====



1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /s/ Paul J. Schmalzel

-----

Name: Paul J. Schmalzel

Title: Assistant Treasurer

-----

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot        )  
Thomas A. Renyi        )       Directors  
Alan R. Griffith        )  
                          )

-----

FORM T-1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)

-----  
THE BANK OF NEW YORK  
(Exact name of trustee as specified in its charter)

New York  
(State of incorporation  
if not a U.S. national bank) 13-5160382  
(I.R.S. employer  
identification no.)  
48 Wall Street, New York, N.Y. 10286  
(Address of principal executive offices) (Zip code)

-----  
HOUSTON LIGHTING & POWER COMPANY  
(Exact name of obligor as specified in its charter)

Texas 74-0694415  
(State or other jurisdiction of  
incorporation or organization) (I.R.S. employer  
identification no.)  
1111 Louisiana  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)

\_\_\_\_\_  
Guarantee of Preferred Securities of  
HL&P Capital Trust IV  
(Title of the indenture securities)

=====

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

-----  
Name

Address  
-----

Superintendent of Banks of the State of  
New York

2 Rector Street, New York,  
N.Y. 10006, and Albany, N.Y.  
12203

Federal Reserve Bank of New York

33 Liberty Plaza, New York,  
N.Y. 10045

Federal Deposit Insurance Corporation

Washington, D.C. 20429

New York Clearing House Association

New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None. (See Note on page 3.)

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and Rule 24 of the Commission's Rules of Practice.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by an amendment to this Form T-1.



SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 10th day of January, 1997.

THE BANK OF NEW YORK

By: /S/PAUL J. SCHMALZEL  
-----  
Name: PAUL J. SCHMALZEL  
Title: ASSISTANT TREASURER

Consolidated Report of Condition of

THE BANK OF NEW YORK  
of 48 Wall Street, New York, N.Y. 10286  
And Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System, at the close of business September 30,  
1996, published in accordance with a call made by the Federal Reserve Bank of  
this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depos- itory institutions:	
Noninterest-bearing balances and currency and coin.....	\$ 4,404,522
Interest-bearing balances.....	732,833
Securities:	
Held-to-maturity securities.....	789,964
Available-for-sale securities.....	2,005,509
Federal funds sold in domestic offices of the bank:	
Federal funds sold.....	3,364,838
Loans and lease financing receivables:	
Loans and leases, net of unearned income.....	28,728,602
LESS: Allowance for loan and lease losses.....	584,525
LESS: Allocated transfer risk reserve.....	429
Loans and leases, net of unearned income, allowance, and reserve.....	28,143,648
Assets held in trading accounts.....	1,004,242
Premises and fixed assets (including capitalized leases).....	605,668
Other real estate owned.....	41,238
Investments in unconsolidated sub- sidiaries and associated companies.....	205,031
Customers' liability to this bank on acceptances outstanding.....	949,154
Intangible assets.....	490,524
Other assets.....	1,305,839
	-----
Total assets.....	\$44,043,010 =====
 LIABILITIES	
Deposits:	
In domestic offices.....	\$20,441,318
Noninterest-bearing.....	8,158,472
Interest-bearing.....	12,282,846
In foreign offices, Edge and Agreement subsidiaries, and IBFs...	11,710,903
Noninterest-bearing.....	46,182
Interest-bearing.....	11,664,721
Federal funds purchased in domes- tic offices of the bank	
Federal funds purchased.....	1,565,288
Demand notes issued to the US	
Treasury.....	293,186
Trading liabilities.....	826,856
Other borrowed money	
With original maturity of one year or less.....	2,103,443
With original maturity of more than one year.....	20,766
Bank's liability on acceptances exe- cuted and outstanding.....	951,116
Subordinated notes and debentures.....	1,020,400

Other liabilities.....	1,522,884
	-----
Total liabilities.....	40,456,160
	-----
EQUITY CAPITAL	
Common stock.....	942,284
Surplus.....	525,666
Undivided profits and capital reserves.....	2,129,376
Net unrealized holding gains (losses) on available-for-sale se- curities.....	( 2,073)
Cumulative foreign currency transla- tion adjustments.....	( 8,403)
	-----
Total equity capital.....	3,586,850
	-----
Total liabilities and equity capital.....	\$44,043,010
	=====

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot            )  
Thomas A. Renyi            )       Directors  
Alan R. Griffith            )  
                                  )

-----