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CENTERPOINT ENERGY INC
Form S-3
April 13, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 13, 2004
REGISTRATION NO. 333-

=====

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CENTERPOINT ENERGY, INC.
(Exact name of registrant as specified in its charter)

TEXAS	1111 LOUISIANA	74-0694415
(State or other jurisdiction of incorporation or organization)	HOUSTON, TEXAS 77002 (713) 207-1111	(I.R.S. Employer Identification No.)
	(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	

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

COPY TO:
GERALD M. SPEDALE
BAKER BOTTS L.L.P.
910 LOUISIANA
3000 ONE SHELL PLAZA
HOUSTON, TEXAS 77002-4995
(713) 229-1234

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time
to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are to be 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

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1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

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 SHARES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING AMOUNT
2.875% Convertible Senior Notes due 2024.....	\$255,000,000 (1)	100%	\$255,000,000
Common Stock, par value \$0.01 per share (2)...	19,906,320 shares (3)	-- (3)	

- (1) Estimated solely to compute the amount of the registration fee under Rule 457(o) under the Securities Act and exclusive of accrued interest.
- (2) Includes the associated rights to purchase preferred stock, which initially are attached to and trade with the shares of common stock being registered hereby.
- (3) This number represents the number of shares of common stock that are currently issuable upon conversion of the 2.875% Convertible Senior Notes due 2024, calculated based on a conversion rate of 78.0640 shares per \$1,000 principal amount of the notes. Pursuant to Rule 416 under the Securities Act of 1933, we are also registering an indeterminable number of shares of common stock as may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
- (4) Under Rule 457(i) under the Securities Act of 1933, no separate registration fee is required for the shares of common stock currently issuable upon conversion of the notes because no additional consideration will be received upon such conversion.

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

The information in this prospectus is not complete and may be changed. The

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selling security holders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED APRIL 13, 2004

PROSPECTUS

[CENTERPOINT ENERGY LOGO]

\$255,000,000
2.875% Convertible Senior Notes due 2024
and
Common Stock Issuable Upon Conversion of the Notes

This prospectus relates to \$255,000,000 aggregate principal amount of our 2.875% Convertible Senior Notes due 2024. We originally issued and sold the notes to Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC, J.P. Morgan Securities Inc., Wachovia Capital Markets LLC, ABN AMRO Rothschild LLC, Banc One Capital Markets, Inc., Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Commerzbank Aktiengesellschaft and Scotia Capital (USA) Inc. in a private placement in December 2003. This prospectus will be used by selling security holders to resell their notes and the common stock issuable upon conversion of the notes.

The notes will bear interest at the rate of 2.875% per year. Interest on the notes will be payable on January 15 and July 15 of each year, beginning on July 15, 2004. Beginning with the six-month interest period commencing on January 15, 2007, we will pay contingent interest during a six-month interest period if the average trading price of a note is above a specified level during a specified period prior to such six-month interest period as described in this prospectus.

The notes are convertible by holders into shares of our common stock at an initial conversion rate of 78.0640 shares of our common stock per \$1,000 principal amount of notes (subject to adjustment in certain events), which is equal to an initial conversion price of \$12.81 per share, under the following circumstances: (1) if the price of our common stock issuable upon conversion reaches specified thresholds described in this prospectus, (2) if we call the notes for redemption, (3) upon the occurrence of specified corporate transactions described in this prospectus or (4) if the credit ratings assigned to the notes decline below the levels described in this prospectus. Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and common stock.

The notes will mature on January 15, 2024. We may redeem some or all of the notes at any time on or after January 15, 2007. The redemption prices are described under the caption "Description of the Notes -- Optional Redemption."

The notes will be unsecured and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. Holders will have the right to require us to purchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, including contingent interest and additional amounts, if any, on January 15, 2007, January 15, 2012 and January 15, 2017 or upon a fundamental change as described in this prospectus.

The notes will be treated as contingent payment debt instruments that will be subject to special United States federal income tax rules. For discussion of

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the special tax rules governing contingent payment debt instruments, see "Material United States Federal Income Tax Considerations."

Our common stock is listed on the New York Stock Exchange under the symbol "CNP." The last reported sales price of our common stock on the New York Stock Exchange on April 12, 2004 was \$11.27 per share.

The notes trade in the Private Offerings, Resales and Trading through Automatic Linkages Market commonly referred to as the Portal Market; however, the notes resold pursuant to this prospectus will no longer trade in the Portal Market.

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 10.

We will not receive any of the proceeds from the sale of the notes or shares of common stock by any of the selling security holders. The notes and the shares of common stock may be offered and sold from time to time directly from the selling security holders or alternatively through underwriters of broker-dealers or agents. The notes and the shares of common stock may be sold in one or more transactions at fixed prices, at the prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. See "Plan of Distribution."

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2004.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THAT DOCUMENT. ANY INFORMATION WE HAVE INCORPORATED BY REFERENCE IS ACCURATE ONLY AS OF THE DATE OF THE DOCUMENT INCORPORATED BY REFERENCE.

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EXPERTS.....

WHERE YOU CAN FIND MORE INFORMATION

We file reports and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain further information regarding the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. Our filings are also available to the public on the SEC's Internet site located at <http://www.sec.gov>.

This prospectus is part of a registration statement we have filed with the SEC relating to the notes and the common stock issuable upon conversion thereof. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, the exhibits and the schedules for more information about us and our securities. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its Web site.

We have obtained a no-action letter from the SEC which provides that we will be treated as the successor of Reliant Energy, Incorporated for financial reporting purposes under the Securities Exchange Act of 1934. We are "incorporating by reference" into this prospectus information we file with the SEC. This means we are disclosing important information to you by referring you to the documents containing the information. The information we incorporate by reference is considered to be part of this prospectus. Information that we file later with the SEC that is deemed incorporated by reference into this prospectus (but not information deemed to be furnished to and not filed with the SEC) will automatically update and supersede information previously included.

We are incorporating by reference into this prospectus the documents listed below and any subsequent filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (excluding information deemed to be furnished and not filed with the SEC) until all the securities are sold:

- our Annual Report on Form 10-K for the year ended December 31, 2003 (our "2003 Form 10-K"),
- our Current Report on Form 8-K filed January 29, 2004,

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- Item 5 of our Current Report on Form 8-K filed February 12, 2004,
- our Current Report on Form 8-K filed March 10, 2004,
- our Current Report on Form 8-K filed April 1, 2004 which reports that our subsidiary, CenterPoint Energy Resources Corp., entered into a new credit agreement,
- Item 5 of our Current Report on Form 8-K filed April 1, 2004 which reports the filing of our final true-up application, and
- the description of our common stock (including the related preferred share purchase rights) contained in our Current Report on Form 8-K filed September 6, 2002, as we may update that description from time to time.

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You may also obtain a copy of our filings with the SEC at no cost by writing to or telephoning us at the following address:

CenterPoint Energy, Inc.
Attn: Investor Services
P.O. Box 4567
Houston, Texas 77210-4567
(713) 207-1111

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, you can identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will" or other similar words.

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

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- the timing and outcome of the regulatory process leading to the determination and recovery of the true-up components and the securitization of these amounts;
- the timing and results of the monetization of our interest in Texas Genco Holdings, Inc.;
- state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry, constraints placed on our activities or business by the Public Utility Holding Company Act of 1935, as amended ("1935 Act"), changes in or application of laws or regulations applicable to other aspects of our business and actions with respect to:
 - allowed rates of return,
 - rate structures,
 - recovery of investments, and
 - operation and construction of facilities,

- termination after 2003 of accruals for the true-up of the difference

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between market prices for generation projected by the Public Utility Commission of Texas and the actual market prices for generation as determined in the state-mandated capacity auctions,

- industrial, commercial and residential growth in our service territory and changes in market demand and demographic patterns,
- the timing and extent of changes in commodity prices, particularly natural gas,
- changes in interest rates or rates of inflation,
- weather variations and other natural phenomena,
- the timing and extent of changes in the supply of natural gas,
- commercial bank and financial market conditions, our access to capital, the cost of such capital, receipt of certain approvals under the 1935 Act, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets,
- actions by rating agencies,
- inability of various counterparts to meet their obligations to us,
- non-payment for our services due to financial distress of our customers, including Reliant Resources, Inc. ("Reliant Resources"),
- the outcome of the pending lawsuits against us, Reliant Energy, Incorporated and Reliant Resources,
- the ability of Reliant Resources to satisfy its obligations to us, including indemnity obligations and obligations to pay the "price to beat" clawback,
- other factors we discuss in "Risk Factors" beginning on page 26 of our 2003 10-K.

Other risk factors are described in other documents we file with the SEC and incorporated by reference in this prospectus.

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

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all the information that you should consider regarding CenterPoint Energy, Inc. and your investment in the notes. You should read carefully the entire prospectus, including the risk factors, financial data and financial statements included or incorporated by reference herein and the other documents incorporated by reference in this prospectus.

Unless the context requires otherwise, the terms "CenterPoint Energy," "our company," "we," "our," "ours" and "us" refer to CenterPoint Energy, Inc.; the term "CenterPoint Houston" refers to CenterPoint Energy Houston Electric, LLC,

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our electric utility subsidiary; and the term "CERC" refers to CenterPoint Energy Resources Corp., our gas distribution and pipelines and gathering subsidiary. We refer to our 2.875% Convertible Senior Notes due 2024 offered by this prospectus as the "notes."

OUR COMPANY

We are a public utility holding company. Our indirect wholly owned subsidiaries include (i) CenterPoint Houston, which provides electric transmission and distribution services in a 5,000-square mile area of the Texas Gulf Coast that includes Houston, and (ii) CERC, which owns gas distribution systems serving approximately 3 million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Through wholly owned subsidiaries, CERC also owns two interstate natural gas pipelines and gas gathering systems and provides various ancillary services. We also have an approximately 81% ownership interest in Texas Genco Holdings, Inc. ("Texas Genco"), which owns and operates electric generating plants in Texas. We distributed approximately 19% of the outstanding common stock of Texas Genco to our shareholders in January 2003.

We are a registered public utility holding company under the Public Utility Holding Company Act of 1935 ("1935 Act"). The 1935 Act and related rules and regulations impose a number of restrictions on our activities and those of our subsidiaries other than Texas Genco. The 1935 Act, among other things, limits our ability and the ability of our regulated subsidiaries to issue debt and equity securities without prior authorization, restricts the source of dividend payments to current and retained earnings without prior authorization, regulates sales and acquisitions of certain assets and businesses and governs affiliate transactions.

Our executive offices are located at 1111 Louisiana, Houston, Texas 77002 (telephone number 713-207-1111).

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THE OFFERING

For a more complete description of the terms of the notes, see "Description of the Notes" beginning on page 14.

Issuer.....	CenterPoint Energy, Inc.
Securities Offered.....	\$255,000,000 aggregate principal amount of 2.875% Convertible Senior Notes due 2024.
Maturity.....	January 15, 2024.
Interest.....	2.875% per annum on the principal amount, payable semiannually in arrears on each January 15 and July 15, beginning July 15, 2004. We will also pay contingent interest and additional amounts on the notes under the circumstances described in this prospectus.
Ranking.....	The notes will be unsecured and will rank equally in right of payment with all of CenterPoint Energy's other existing and future unsecured and unsubordinated indebtedness. The notes will not have the benefit of collateral granted to all CenterPoint Energy's existing

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secured debt and are effectively subordinated to existing and future indebtedness and other liabilities of CenterPoint Energy's subsidiaries. As discussed in the "Description of the Notes" section beginning on page 14, as of March 31, 2004, CenterPoint Energy, on an unconsolidated basis, had approximately \$5.3 billion aggregate principal amount of outstanding indebtedness, including approximately \$1.7 billion secured by the stock of Texas Genco and approximately \$807 million secured by mortgage bonds of CenterPoint Houston.

Contingent Interest.....

We will make additional payments of interest, referred to in this prospectus as "contingent interest," during any six-month period from January 15 to July 14 or from July 15 to January 14 commencing on or after January 15, 2007 for which the average trading price of the notes for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the notes as of the day immediately preceding the first day of the applicable six-month interest period. The amount of contingent interest payable per note in respect of any six-month period will be equal to 0.25% of the average trading price of a note for the applicable five trading day reference period. The five trading day reference period means the five trading days ending on the second trading day immediately preceding the relevant six-month interest period. For more information about contingent interest, see "Description of the Notes -- Contingent Interest" beginning on page 15.

Conversion Rights.....

Holders may convert their notes into shares of our common stock under any of the following circumstances:

- (1) during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter, is greater than or equal to 120% of the conversion price per share of our common stock on such last trading day, or
- (2) if the notes have been called for redemption, or
- (3) upon the occurrence of specified corporate transactions described under "Description of the Notes -- Conversion Rights -- Conversion Upon Specified Corporate Transactions" beginning on page 18, or

- (4) during any period in which the credit ratings assigned to the notes by both Moody's and S&P are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these rating services or their successors.

For each \$1,000 principal amount of notes surrendered for conversion, you will receive 78.0640 shares of our common stock. This represents an initial conversion price of \$12.81 per share of common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons, but it will not be adjusted for accrued and unpaid interest. Except as otherwise described in this prospectus, you will not receive any payment representing accrued and unpaid interest upon conversion of a note; however, we will continue to pay additional amounts, if any, on the notes and the common stock issuable upon conversion thereof to the holder in accordance with the registration rights agreement. Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and common stock. Notes called for redemption may be surrendered for conversion prior to the close of business on the second business day immediately preceding the redemption date.

Optional Redemption.....

Prior to January 15, 2007, the notes will not be redeemable. On or after January 15, 2007, we may redeem for cash all or part of the notes at any time, upon not less than 30 nor more than 60 days' notice before the redemption date by mail to the trustee under the indenture under which the notes have been issued, the paying agent and each holder of notes, for a price equal to 100% of the principal amount of the notes to be redeemed plus any accrued and unpaid interest, including contingent interest, if any, and additional amounts owed, if any, to the redemption date. See "Description of the Notes -- Optional Redemption" on page 16.

Purchase of Notes by Us at the Option of the Holder...

Holders have the right to require us to purchase all or any portion of the notes for cash on January 15, 2007, January 15, 2012 and January 15, 2017. In each case, we will pay a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including contingent interest, if any, and additional amounts owed, if any, to such purchase date. See "Description of the Notes -- Purchase of Notes by Us at the Option of the Holder" beginning on page 21.

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Fundamental Change..... If we undergo a Fundamental Change (as defined under "Description of the Notes -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder" beginning on page 22) prior to January 15, 2007, holders will have the right, at their option, to require us to purchase any or all of their notes for cash, or any portion of the principal amount thereof that is equal to \$1,000 or an integral multiple of \$1,000. The cash price we are required to pay is equal to 100% of the principal amount of the notes to be purchased plus accrued and unpaid interest, including contingent interest, if any, and additional amounts owed, if any, to the Fundamental Change purchase date. See "Description of the Notes -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder" beginning on page 22.

Significant Covenants..... The notes have been issued under an indenture containing certain restrictive covenants for your benefit. These covenants, which are described under "Description of the Notes" beginning on page 14, restrict our ability, with certain exceptions, to:

- incur certain debt secured by liens, and
- merge, consolidate or transfer substantially all of our assets.

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Use of Proceeds..... We will not receive any proceeds from the sale by the selling security holders of the notes or the common stock issuable upon conversion thereof. See "Use of Proceeds" on page 13.

Trustee, Paying Agent and Conversion Agent..... JPMorgan Chase Bank.

Risk Factors..... You should consider carefully all of the information set forth and incorporated by reference in this prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" beginning on page 10 before deciding whether to invest in the notes.

U.S. Federal Income Tax Considerations We and each holder agree in the indenture to treat the notes as contingent payment debt instruments for U.S. federal income tax purposes. As a holder of notes, you will agree to accrue original issue discount on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing, 5.06%, compounded semi-annually, even though the notes will have a significantly lower stated yield to maturity. You may recognize taxable income in

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each year significantly in excess of interest payments (whether fixed or contingent) actually received that year. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the notes. In the case of a conversion, this gain will be measured by the amount of cash and fair market value of any stock received. A summary of the United States federal income tax consequences of ownership of the notes and our common stock is described in this prospectus under the heading "Material United States Federal Income Tax Considerations" beginning on page 45. Owners of the notes should consult their tax advisors as to the United States federal, state, local or other tax consequences of acquiring, owning and disposing of the notes and our common stock.

Governing Law.....	The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.
Book-Entry Form.....	The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in any of the notes are shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Listing.....	The notes sold in the initial placement to qualified institutional buyers are eligible for trading on the Private Offerings, Resales and Trading through Automatic Linkages Market commonly referred to as the Portal Market; however, the notes resold pursuant to this prospectus will no longer be eligible for trading on the Portal Market. We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. Our common stock is traded on the New York Stock Exchange under the symbol "CNP."

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth ratios of earnings to fixed charges for each of the periods indicated, calculated pursuant to SEC rules. Earnings from continuing operations in 2002 and 2003 include \$697 million and \$661 million, respectively, of non-cash ECOM true-up.

YEAR ENDED DECEMBER 31,

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	1999	2000	2001	2002	2003
Ratio of earnings from continuing operations to fixed charges.....	5.38	1.80	2.18	1.70	1.68

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RISK FACTORS

In addition to the information contained elsewhere in this prospectus and the risk factors described in "Item 1. Business - Risk Factors" in our 2003 10-K, which discussion is incorporated in this section by reference, and any risk factors included in other documents incorporated by reference herein, the following risk factors should be considered carefully by each prospective investor before making an investment decision.

RISKS RELATED TO THE NOTES

THE MARKET PRICE OF THE NOTES COULD BE SIGNIFICANTLY AFFECTED BY THE MARKET PRICE OF OUR COMMON STOCK.

We expect that the market price of our notes will be significantly affected by the market price of our common stock. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities. The market price of our common stock will likely continue to fluctuate in response to factors including the following, many of which are beyond our control:

- quarterly fluctuations in our operating and financial results,
- changes in financial estimates and recommendations by financial analysts,
- changes in the ratings of our notes or other securities,
- developments related to litigation or regulatory proceedings involving us,
- fluctuations in the stock price and operating results of our competitors,
- dispositions, acquisitions and financings, and
- general conditions in the industries in which we operate.

In addition, the stock markets in general, including the New York Stock Exchange, recently have experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of our notes and our common stock.

WE CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE NOTES.

There is currently no public market for the notes. Although the notes sold to qualified institutional buyers under Rule 144A are eligible for trading on

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the Portal Market, the notes resold pursuant to this prospectus will no longer be eligible for trading on the Portal Market. As a result, there may be a limited market for the notes. We do not intend to apply for listing of the notes on any securities exchange or for the inclusion of the notes in any automated quotation system. Accordingly, we cannot predict whether an active trading market for the notes will develop or be sustained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could fall. If an active trading market were to develop, the notes could trade at prices that may be lower than the initial offering price of the notes. In addition, the market price for the notes may be adversely affected by changes in our financial performance, changes in the overall market for similar securities and performance or prospects for companies in our industry.

WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO PURCHASE THE NOTES UPON A FUNDAMENTAL CHANGE OR OTHER PURCHASE DATE, AS REQUIRED BY THE INDENTURE GOVERNING THE NOTES.

On January 15, 2007, January 15, 2012 and January 15, 2017, holders of the notes may require us to purchase their notes for cash. In addition, holders of the notes also may require us to purchase their notes upon a Fundamental Change as described under "Description of the Notes -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder." A Fundamental Change also may constitute an event of default, and result

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in the acceleration of the maturity of our then existing indebtedness, under another indenture or other agreement. We cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the purchase price for the notes tendered by holders. Failure by us to purchase the notes when required will result in an event of default with respect to the notes.

YOU SHOULD CONSIDER THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF OWNING THE NOTES.

We intend to treat the notes as indebtedness for United States federal income tax purposes and intend to take the position that the notes will be subject to the special regulations governing contingent payment debt instruments (which we refer to as the "CPDI regulations"). The notes will be subject to the CPDI regulations if the contingency represented by the provision of contingent interest on the notes is neither remote nor incidental, as stated in section 1.1275-4(a)(5) of the CPDI regulations. The application of the CPDI regulations to instruments such as the notes is uncertain in several respects, and, as a result, no assurance can be given that the Internal Revenue Service or a court will agree with the treatment described herein, and no ruling will be obtained from the Internal Revenue Service concerning the application of the CPDI regulations to the notes. Any differing treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the notes. In particular, a holder might be required to accrue interest income at a higher or lower rate, might not recognize income, gain or loss upon conversion of the notes into shares of our common stock, might recognize capital gain or loss upon a taxable disposition of the notes and might have an adjusted tax basis in the notes or our common stock acquired upon conversion of a note materially different than discussed herein. Please read "Material United States Federal Income Tax Considerations" in this prospectus.

THE NOTES WILL BE EFFECTIVELY SUBORDINATED TO EXISTING AND FUTURE INDEBTEDNESS AND OTHER LIABILITIES OF OUR SUBSIDIARIES.

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We derive substantially all our operating income from, and hold substantially all our assets through, our subsidiaries. As a result, we will depend on distributions from our subsidiaries in order to meet our payment obligations under any debt securities, including the notes and our other obligations. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends and those under the 1935 Act, limit their ability to make payments or other distributions to us, and they could agree to contractual restrictions on their ability to make distributions. For a discussion of restrictions under the 1935 Act, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations of CenterPoint Energy and Subsidiaries -- Liquidity and Capital Resources -- Future Sources and Uses of Cash -- Certain Contractual and Regulatory Limits on Ability to Issue Securities and Pay Dividends on our Common Stock" in Item 7 of Part II of our 2003 Form 10-K.

Our right to receive any assets of any subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by us. Excluding subsidiaries issuing trust preferred securities and transition bonds, as of March 31, 2004, our subsidiaries had approximately \$5.3 billion aggregate principal amount of external indebtedness, of which approximately \$2.9 billion is secured, as well as other liabilities.

IF YOU HOLD NOTES, YOU WILL NOT BE ENTITLED TO ANY RIGHTS WITH RESPECT TO OUR COMMON STOCK, BUT YOU WILL BE SUBJECT TO ALL CHANGES MADE WITH RESPECT TO OUR COMMON STOCK.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver shares of common stock to you in exchange for your notes and in limited cases under the anti-dilution adjustments of the notes. For example, in the event that an amendment is proposed to our articles of incorporation or by-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common stock, you will not be entitled to

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vote on the amendment, although the shares issued upon exchange of your notes will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

WE MAY ISSUE ADDITIONAL SHARES OF COMMON STOCK AND THEREBY MATERIALLY AND ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK.

We are not restricted from issuing additional common stock during the life of the notes and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the price of our common stock and, in turn, the price of the notes.

OUR ARTICLES OF INCORPORATION AND BYLAW PROVISIONS, AND SEVERAL OTHER

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FACTORS, COULD LIMIT ANOTHER PARTY'S ABILITY TO ACQUIRE US AND COULD DEPRIVE YOU OF THE OPPORTUNITY TO OBTAIN A TAKEOVER PREMIUM FOR YOUR SHARES OF COMMON STOCK.

A number of provisions that are in our articles of incorporation and bylaws will make it difficult for another company to acquire us and for you to receive any related takeover premium for our common stock. See "Description of Our Capital Stock -- Anti-Takeover Effects of Texas Laws and Our Charter and Bylaw Provisions" and "Description of Our Capital Stock -- Shareholder Rights Plan."

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USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling security holders of the notes or the common stock issuable upon their conversion.

We issued \$255,000,000 aggregate principal amount of the notes on December 17, 2003. We issued the notes to the initial purchasers in a private placement. We used the proceeds from this financing to redeem approximately \$250 million aggregate liquidation amount of the 8.125% trust preferred securities, Series A, issued by HL&P Capital Trust I, one of our subsidiary trusts.

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DESCRIPTION OF THE NOTES

We issued the notes under an indenture dated as of May 19, 2003 between us and JPMorgan Chase Bank, as trustee, as supplemented. The descriptions under this heading are summaries of the material provisions of the notes and the indenture. Such summaries do not purport to be complete and are qualified in their entirety by reference to the indenture and the notes. For a complete description of the notes, you should refer to the indenture and the supplemental indenture establishing the terms of the notes, which we have filed with the SEC. References to article and section numbers in this prospectus, unless otherwise indicated, are references to article and section numbers of the indenture. For purposes of this summary, the terms "we," "our," "ours" and "us" refer only to CenterPoint Energy, Inc. and not to any of our subsidiaries.

We may issue debt securities from time to time in one or more series under the indenture. There is no limitation on the amount of debt securities we may issue under the indenture. In addition to the notes, our 5.875% Senior Notes due 2008 (\$200,000,000 outstanding), our 6.85% Senior Notes due 2015 (\$200,000,000 outstanding), our 7.25% Senior Notes due 2010 (\$200,000,000 outstanding) and our 3.75% Convertible Senior Notes due 2023 (\$575,000,000 outstanding) are currently outstanding under the indenture.

GENERAL

The notes will mature on January 15, 2024. The notes are issued only in denominations of \$1,000 principal amount and integral multiples of \$1,000 principal amount. The notes are limited to \$255,000,000 in aggregate principal amount.

The notes:

- are general unsecured obligations,

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- rank equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness, and
- with respect to the assets and earnings of our subsidiaries, effectively rank below all of the liabilities of our subsidiaries.

As of March 31, 2004, CenterPoint Energy, on an unconsolidated basis, had approximately \$5.3 billion aggregate principal amount of outstanding indebtedness. Of this indebtedness, approximately \$1.7 billion is secured by the stock of Texas Genco and approximately \$807 million of obligations relating to pollution control bonds issued on CenterPoint Energy's behalf are secured by general mortgage bonds and first mortgage bonds of CenterPoint Houston. Excluding subsidiaries issuing trust preferred securities and transition bonds, as of March 31, 2004, our subsidiaries had approximately \$5.3 billion aggregate principal amount of external indebtedness, of which approximately \$2.9 billion is secured, as well as other liabilities.

STRUCTURAL SUBORDINATION

We are a holding company that conducts substantially all of our operations through our subsidiaries. Our only significant assets are the capital stock of our subsidiaries, and our subsidiaries generate substantially all of our operating income and cash flow. As a result, dividends or advances from our subsidiaries are the principal source of funds necessary to meet our debt service obligations. Contractual provisions or laws, including the 1935 Act, as well as our subsidiaries' financial condition and operating requirements, may limit our ability to obtain cash from our subsidiaries that we may require to pay our debt service obligations, including payments on the notes. In addition, the notes will be effectively subordinated to all of the liabilities of our subsidiaries with regard to the assets and earnings of our subsidiaries.

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INTEREST

Interest on the notes will:

- accrue at the rate of 2.875% per year from December 17, 2003,
- be payable semi-annually in arrears on each January 15 and July 15, beginning July 15, 2004,
- be payable to the person in whose name the notes are registered at the close of business on the January 1 and July 1 immediately preceding the applicable interest payment date, which we refer to with respect to the notes as "regular record dates,"
- be computed on the basis of a 360-day year comprised of twelve 30-day months, and
- be payable on overdue interest to the extent permitted by law at the same rate as interest is payable on principal.

If any interest payment date, the maturity date, or any redemption date or purchase date (including upon the occurrence of a Fundamental Change, as described below) falls on a day that is not a business day, the required payment will be made on the next succeeding business day with the same force and effect as if made on the relevant interest payment date, maturity date, redemption date or purchase date and no interest will accrue on that payment for the period from and after the interest payment date, maturity date, redemption date or purchase

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date (including upon the occurrence of a Fundamental Change), as the case may be, to the date of that payment on the next succeeding business day. The term "business day" means, with respect to any note, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

In addition, we will pay contingent interest and additional amounts on the notes under the circumstances described below under " -- Contingent Interest" and " -- Registration Rights."

CONTINGENT INTEREST

We will pay contingent interest to the holders of notes during any six-month period from January 15 to July 14 or from July 15 to January 14 commencing on or after January 15, 2007 for which the average trading price of a note for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. The five trading day reference period means the five trading days ending on the second trading day immediately preceding the relevant six-month interest period.

During any period when contingent interest is payable, the contingent interest payable per note in respect of any six-month period will equal 0.25% of the average trading price of the note for the applicable five trading day reference period.

The record date and payment date for contingent interest, if any, will be the same as the regular record date and payment date for the semi-annual interest payments on the notes.

The "trading price" of the notes on any date of determination means the average of the secondary market bid quotations per \$1,000 principal amount of notes obtained by the bid solicitation agent for \$10 million principal amount of notes at approximately 4:00 p.m., New York City time, on such determination date from three unaffiliated, nationally recognized securities dealers we select, provided that if:

- at least three such bids are not obtained by the bid solicitation agent, or
- in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes,

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then the trading price of the notes will equal (a) the then applicable conversion rate of the notes multiplied by (b) the average of the last reported sale prices of our common stock for the five trading days ending on such determination date, appropriately adjusted to take into account the occurrence, during the period commencing on the first trading day during that five day trading period and ending on such determination date, of any event that would result in an adjustment of the conversion rate under the indenture.

The "last reported sale price" of our common stock on any date means the closing sale price per share (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National

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Market.

If our common stock is not listed for trading on a U.S. national or regional securities exchange and not reported by the Nasdaq National Market on the relevant date, the "last reported sale price" will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization.

If our common stock is not so quoted, the "last reported sale price" will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

The bid solicitation agent will initially be the trustee. We may change the bid solicitation agent at any time, but the bid solicitation agent may not be our affiliate. The bid solicitation agent will solicit bids from nationally recognized securities dealers we believe are willing to bid for the notes.

We will notify the holders of the notes upon a determination that they will be entitled to receive contingent interest during a six-month interest period. In connection with providing such notice, we will issue a press release and publish a notice containing information regarding the contingent interest determination in a newspaper of general circulation in The City of New York or publish the information on our web site or through such other public medium as we may use at that time.

OPTIONAL REDEMPTION

No sinking fund is provided for the notes. Prior to January 15, 2007, the notes will not be redeemable. On or after January 15, 2007, we may redeem for cash all or part of the notes at any time, upon not less than 30 nor more than 60 days' notice before the redemption date to the trustee, the paying agent and each holder of notes, for a price equal to 100% of the principal amount of the notes to be redeemed plus any accrued and unpaid interest, including contingent interest and additional amounts, if any, to the redemption date.

If we decide to redeem fewer than all of the outstanding notes, the trustee will select the notes to be redeemed (in principal amounts of \$1,000 or integral multiples thereof) by lot, on a pro rata basis or by another method the trustee considers fair and appropriate.

If the trustee selects a portion of your note for partial redemption and you convert a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to:

- issue, register the transfer of or exchange any note during a period of 15 days before the mailing of the redemption notice, or
- register the transfer of or exchange any note so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

CONVERSION RIGHTS

Subject to the conditions and during the periods and under the circumstances described below, holders may convert each of their notes into

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shares of our common stock initially at a conversion rate of 78.0640 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of \$12.81 per share of common stock) at any time prior to the close of business on January 15, 2024. The conversion rate and the equivalent conversion price in effect at any given time are referred to as the "applicable conversion rate" and the "applicable conversion price," respectively, and will be subject to adjustment as described below. A holder may convert fewer than all of such holder's notes so long as the notes converted are an integral multiple of \$1,000 principal amount.

Except as otherwise described below, you will not receive any cash payment representing accrued and unpaid interest (including contingent interest, if any) upon conversion of a note and we will not adjust the conversion rate to account for the accrued and unpaid interest. Upon conversion of a note, we will become obligated to deliver to you a fixed number of shares of our common stock (or, as described below, cash or a combination of cash and shares of common stock in lieu thereof) and any cash payment to account for fractional shares (the "conversion obligation"). Except in the case of a cash settlement or a combined settlement as described below, the cash payment for fractional shares will be based on the last reported sale price of our common stock on the trading day immediately prior to the conversion date. Delivery of shares of common stock (or, as described below, cash or a combination of cash and shares of common stock in lieu thereof) and any cash payment to account for fractional shares will be deemed to satisfy our obligation to pay the principal amount of the notes, including accrued and unpaid interest (including contingent interest, if any). Accrued and unpaid interest (including contingent interest, if any) will be deemed paid in full rather than canceled, extinguished or forfeited. The trustee will initially act as the conversion agent. Notwithstanding conversion of any notes, the holders of the notes and any common stock issuable upon conversion thereof will continue to be entitled to receive additional amounts in accordance with the registration rights agreement. See " -- Registration Rights" below.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of our common stock upon the conversion, unless the tax is due because the holder requests the shares to be issued or delivered to a person other than the holder, in which case the holder will pay that tax.

If a holder wishes to exercise its conversion right, such holder must deliver a conversion notice, together, if the notes are in certificated form, with the certificated security, to the conversion agent along with appropriate endorsements and transfer documents, if required, and pay any transfer or similar tax, if required. The date you comply with these requirements is referred to as the "conversion date." Holders may obtain copies of the required form of the conversion notice from the conversion agent.

If a holder has already delivered a purchase notice as described under either " -- Purchase of Notes by Us at the Option of the Holder" or " -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder" with respect to a note, however, the holder may not surrender that note for conversion until the holder has withdrawn the purchase notice in accordance with the indenture.

Holders of notes at the close of business on a regular record date will receive payment of interest, including contingent interest, if any, payable on the corresponding interest payment date notwithstanding the conversion of such notes at any time after the close of business on such regular record date. Notes surrendered for conversion by a holder during the period from the close of business on any regular record date to the opening of business on the immediately following interest payment date must be accompanied by payment of an amount equal to the interest, including contingent interest, if any, that the

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holder is to receive on the notes; provided, however, that no such payment need be made if (1) we have specified a redemption date that is after a record date and on or prior to the immediately following interest payment date, (2) we have specified a purchase date following a Fundamental Change that is during such period or (3) any overdue interest (including overdue contingent interest, if any) exists at the time of conversion with respect to such notes to the extent of such overdue interest. The holders of the notes and any common stock issuable upon conversion thereof will continue to be entitled to receive additional amounts in accordance with the registration rights agreement.

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Holders may surrender their notes for conversion into shares of our common stock prior to stated maturity only in the circumstances described below. For a discussion of the federal income tax consequences of a conversion of the notes into our common stock, see "Material United States Federal Income Tax Considerations."

Upon conversion, we will satisfy our conversion obligation by delivering to you either (1) shares of our common stock, (2) cash or (3) a combination of cash and shares of our common stock, as follows:

(1) Share Settlement. If we elect to satisfy the entire conversion obligation in shares of our common stock, then we will deliver to you a number of full shares equal to (a) the aggregate principal amount of notes to be converted divided by 1,000 multiplied by (b) the applicable conversion rate, together with any cash payment for fractional shares.

(2) Cash Settlement. If we elect to satisfy the entire conversion obligation in cash, then we will deliver to you an amount in cash equal to the product of:

- (a) the aggregate principal amount of notes to be converted divided by 1,000 multiplied by (b) the applicable conversion rate and
- the average of the last reported sale prices of our common stock for the five trading day period starting the third trading day following the conversion date (the "applicable stock price").

(3) Combined Settlement. If we elect to satisfy a portion of the conversion obligation in cash (the "partial cash amount") and a portion in shares of our common stock, then we will deliver to you such partial cash amount, plus a number of full shares equal to (a) the cash settlement amount as described in clause (2) above minus such partial cash amount divided by (b) the applicable stock price, together with any cash payment for fractional shares determined using the applicable stock price.

If we choose to satisfy the conversion obligation by share settlement, then settlement in shares will be made on or prior to the fifth trading day following the conversion date. If we choose to satisfy the conversion obligation by cash settlement or combined settlement, then we will notify you, through the trustee, of the dollar amount to be satisfied in cash at any time on or before the date that is two business days following the conversion date (the "settlement notice period"). Share settlement will apply automatically if we do not notify you that we have chosen another settlement method.

If we timely elect cash settlement or combined settlement, then you may

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retract your conversion notice at any time during the two business day period beginning on the business day after the settlement notice period (the "conversion retraction period"). You cannot retract your conversion notice (and your conversion notice therefore will be irrevocable) if we elect share settlement. If you have not retracted your conversion notice during the conversion retraction period, then cash settlement or combined settlement will be made through the conversion agent no later than the third business day following the determination of the applicable stock price.

CONVERSION UPON SATISFACTION OF SALE PRICE CONDITION. A holder may surrender any of its notes for conversion into shares of our common stock in any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price per share of our common stock on such last trading day.

CONVERSION UPON REDEMPTION. If we redeem the notes, holders may convert notes into our common stock at any time prior to the close of business on the second business day immediately preceding the redemption date, even if the notes are not otherwise convertible at such time.

CONVERSION UPON SPECIFIED CORPORATE TRANSACTIONS. If we elect to:

- distribute to all holders of our common stock certain rights entitling them to purchase, for a period expiring within 60 days after the date of the distribution, shares of our common stock at less than the last reported

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sale price of a share of our common stock on the trading day immediately preceding the declaration date of the distribution, or

- distribute to all holders of our common stock assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 15% of the last reported sale price of a share of our common stock on the trading day immediately preceding the declaration date for such distribution,

we must notify the holders of the notes at least 20 business days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day immediately prior to the ex-dividend date or our announcement that such distribution will not take place, even if the notes are not otherwise convertible at such time; provided, however, that a holder may not exercise this right to convert if the holder may participate in the distribution without conversion. The "ex-dividend date" is the first date upon which a sale of the common stock does not automatically transfer the right to receive the relevant dividend from the seller of the common stock to its buyer.

In addition, if we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash or property other than securities, a holder may surrender notes for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction. If we engage in certain reclassifications of our common stock or are a party to a consolidation, merger, binding share exchange or

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transfer of all or substantially all of our assets pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a note into our common stock will be changed into a right to convert a note into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its notes immediately prior to the transaction. If we engage in any transaction described in the preceding sentence, the conversion rate will not be adjusted. If the transaction also constitutes a Fundamental Change, as defined below, a holder can require us to purchase all or a portion of its notes as described below under " -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder."

CONVERSION UPON CREDIT RATINGS EVENT. A holder may convert notes into our common stock during any period in which the credit ratings assigned to the notes by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors.

CONVERSION RATE ADJUSTMENTS. The conversion rate will be subject to adjustment, without duplication, upon the occurrence of any of the following events:

(1) the payment of dividends and other distributions on our common stock payable exclusively in shares of our common stock or our other capital stock,

(2) the issuance to all holders of our common stock of rights or warrants that allow the holders to purchase shares of our common stock for a period expiring within 60 days from the date of issuance of the rights or warrants at less than the market price on the record date for the determination of shareholders entitled to receive the rights or warrants,

(3) subdivisions, combinations, or certain reclassifications of our common stock,

(4) distributions to all holders of our common stock of assets, debt securities or rights or warrants to purchase our securities (excluding (A) any dividend, distribution or issuance covered by clauses (1) or (2) above, (B) any dividend or distribution paid exclusively in cash, and (C) our prior distributions of shares of common stock of Reliant Resources and of Texas Genco), if these distributions, aggregated on a rolling twelve-month basis, have a per share value exceeding 15% of the market price of our common stock on the trading day immediately preceding the declaration of the distribution. In cases where (a) the fair market value per share of common stock of the assets, debt securities or rights or warrants to purchase our securities distributed to shareholders equals or exceeds the market price of our common stock on the record date for the

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determination of shareholders entitled to receive such distribution, or (b) the market price of our common stock on the record date for determining the shareholders entitled to receive the distribution exceeds the fair market value per share of common stock of the assets, debt securities or rights or warrants so distributed by less than \$1.00, rather than being entitled to an adjustment in the conversion rate, the holder will be entitled to receive upon conversion, in addition to the shares of our common stock, the kind and amount of assets, debt securities or rights or warrants comprising the distribution that the holder would have received if the holder had converted the holder's notes immediately prior to the record date for

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determining the shareholders entitled to receive the distribution, and

(5) distributions made during any of our quarterly fiscal periods consisting exclusively of cash to all holders of outstanding shares of common stock in an aggregate amount that, together with (A) other all-cash distributions made during such quarterly fiscal period, and (B) any cash and the fair market value, as of the expiration of any tender or exchange offer (other than consideration payable in respect of any odd-lot tender offer) of consideration payable in respect of any tender or exchange offer by us or any of our subsidiaries for shares of common stock concluded during such quarterly fiscal period, exceed the product of \$0.10 (appropriately adjusted from time to time for any stock dividends on or subdivisions or combinations of our common stock) multiplied by the number of shares of common stock outstanding on the record date for such distribution.

With respect to paragraph (4) above, in the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average last reported sales prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

Notwithstanding the foregoing, in no event will the conversion rate exceed 109.2896, which we refer to as the "maximum conversion rate," as a result of an adjustment pursuant to paragraphs (4) and (5) above. The maximum conversion rate will be appropriately adjusted from time to time for any stock dividends on or subdivisions or combinations of our common stock.

In addition to these adjustments, we may increase the conversion rate as our board of directors considers advisable to avoid or diminish any income tax to holders of our common stock or rights to purchase our common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period of at least 20 days if our board of directors has determined that such increase would be in our best interests. If our board of directors makes such a determination, it will be conclusive. We will give holders of notes at least 15 days' notice of such an increase in the conversion rate.

As used in this prospectus, "market price" means the average of the last reported sale prices per share of our common stock for the 20 trading day period ending on the applicable date of determination (if the applicable date of determination is a trading day or, if not, then on the last trading day prior to the applicable date of determination), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the 20 trading day period and ending on the applicable date of determination, of any event that would result in an adjustment of the conversion rate under the indenture.

No adjustment to the conversion rate or the ability of a holder of a note to convert will be made if the holder will otherwise participate in the distribution without conversion or in certain other cases.

The applicable conversion rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any

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present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan,

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- upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries,
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the notes were first issued,
- for a change in the par value of our common stock, or
- for accrued and unpaid interest, including contingent interest or additional amounts, if any.

The holders will receive, upon conversion of the notes, in addition to common stock, the rights under our shareholder rights plan or under any future rights plan we may adopt, whether or not the rights have separated from the common stock at the time of conversion unless, prior to conversion, the rights have expired, terminated or been redeemed or exchanged. See "Description of Our Capital Stock -- Shareholder Rights Plan."

No adjustment in the applicable conversion price will be required unless the adjustment would require an increase or decrease of at least 1% of the applicable conversion price. If the adjustment is not made because the adjustment does not change the applicable conversion price by more than 1%, then the adjustment that is not made will be carried forward and taken into account in any future adjustment.

PURCHASE OF NOTES BY US AT THE OPTION OF THE HOLDER

Holders have the right to require us to purchase the notes on January 15, 2007, January 15, 2012 and January 15, 2017 (each, a "purchase date"). Any note purchased by us on a purchase date will be paid for in cash. We will be required to purchase any outstanding notes for which a holder delivers a written purchase notice to the paying agent. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 20 business days prior to the relevant purchase date until the close of business on the fifth business day prior to the purchase date. If the purchase notice is given and withdrawn during such period, we will not be obligated to purchase the related notes. Our purchase obligation will be subject to some additional conditions as described in the indenture. Also, as described in the "Risk Factors" section of this prospectus under the caption "Risks Related to the Notes -- We may not have the ability to raise the funds necessary to purchase the notes upon a Fundamental Change or other purchase date, as required by the indenture governing the notes," we may not have funds sufficient to purchase the notes when we are required to do so. Our failure to purchase the notes when we are required to do so will constitute an event of default under the indenture with respect to the notes.

The purchase price payable will be equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including contingent interest and additional amounts, if any, to such purchase date. For a discussion of the United States federal income tax treatment of a holder

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receiving cash, see "Material United States Federal Income Tax Considerations."

On or before the 20th business day prior to each purchase date, we will provide to the trustee, the paying agent and to all holders of the notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the purchase price,
- the name and address of the paying agent and the conversion agent, and
- the procedures that holders must follow to require us to purchase their notes.

In connection with providing such notice, we will issue a press release and publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on our web site or through such other public medium as we may use at that time.

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A notice electing to require us to purchase your notes must state:

- if certificated notes have been issued, the certificate numbers of the notes,
- the portion of the principal amount of notes to be purchased, in integral multiples of \$1,000, and
- that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the indenture.

If the notes are not in certificated form, your notice must comply with appropriate DTC procedures.

No notes may be purchased at the option of holders if there has occurred and is continuing an event of default other than an event of a default that is cured by the payment of the purchase price of the notes.

You may withdraw any purchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the purchase date. The notice of withdrawal must state:

- the principal amount of the withdrawn notes,
- if certificated notes have been issued, the certificate numbers of the withdrawn notes, and
- the principal amount, if any, which remains subject to the purchase notice.

If the notes are not in certificated form, your notice must comply with appropriate DTC procedures.

You must either effect book-entry transfer or deliver the notes, together with necessary endorsements, to the office of the paying agent to receive payment of the purchase price. You will receive payment promptly following the later of the purchase date or the time of book-entry transfer or the delivery of the notes. If the paying agent holds money sufficient to pay the purchase price

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of the notes on the business day following the purchase date, then on and after that purchase date:

- the notes will cease to be outstanding and interest, including contingent interest and additional amounts, if any, will cease to accrue (whether or not book-entry transfer of the notes is made or whether or not the notes are delivered to the paying agent), and
- all other rights of the holder will terminate (other than the right to receive the purchase price upon delivery or transfer of the notes).

FUNDAMENTAL CHANGE REQUIRES PURCHASE OF NOTES BY US AT THE OPTION OF THE HOLDER

If a Fundamental Change (as defined below in this section) occurs at any time prior to January 15, 2007, holders will have the right, at their option, to require us to purchase any or all of their notes for cash, or any portion of the principal amount thereof, that is equal to \$1,000 or an integral multiple of \$1,000. The cash price we are required to pay is equal to 100% of the principal amount of the notes to be purchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, to the Fundamental Change purchase date. If a Fundamental Change occurs on or after January 15, 2007, no holder will have a right to require us to purchase any notes, except as described above under " -- Purchase of Notes by Us at the Option of the Holder." For a discussion of the United States federal income tax treatment of a holder receiving cash, see "Material United States Federal Income Tax Considerations."

A "Fundamental Change" will be deemed to have occurred at the time after the notes are originally issued that any of the following occurs:

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(1) our common stock or other common stock into which the notes are convertible is neither listed for trading on a United States national securities exchange nor approved for trading on the Nasdaq National Market or another established automated over-the-counter trading market in the United States,

(2) a "person" or "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934, other than us, our subsidiaries or our or their employee benefit plans, files a Schedule TO or any other schedule, form or report under the Securities Exchange Act of 1934 disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Securities Exchange Act of 1934, of our common equity representing more than 50% of the voting power of our common equity entitled to vote generally in the election of directors,

(3) consummation of any share exchange, consolidation or merger of us pursuant to which our common stock will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than us or one or more of our subsidiaries; provided, however, that a transaction where the holders of our common equity immediately prior to such transaction have, directly or indirectly, more than 50% of the aggregate voting power of all classes of common equity of the continuing or surviving corporation or transferee entitled to vote generally in the election of directors immediately after such event shall not be a Fundamental Change, or

(4) continuing directors (as defined below in this section) cease to

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constitute at least a majority of our board of directors.

A Fundamental Change will not be deemed to have occurred in respect of any of the foregoing, however, if either:

(1) the last reported sale price of our common stock for any five trading days within the 10 consecutive trading days ending immediately before the later of the Fundamental Change or the public announcement thereof, equals or exceeds 105% of the conversion price of the notes in effect immediately before the Fundamental Change or the public announcement thereof, or

(2) at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or transactions constituting the Fundamental Change consists of shares of capital stock traded on a national securities exchange or quoted on the Nasdaq National Market or which will be so traded or quoted when issued or exchanged in connection with a Fundamental Change (these securities being referred to as "publicly traded securities") and as a result of this transaction or transactions the notes become convertible into such publicly traded securities, excluding cash payments for fractional shares.

For purposes of the above paragraph, the term "capital stock" of any person means any and all shares (including ordinary shares or American Depositary Shares), interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such person.

"Continuing director" means a director who either was a member of our board of directors on December 12, 2003 or who becomes a member of our board of directors subsequent to that date and whose appointment, election or nomination for election by our shareholders is duly approved by a majority of the continuing directors on our board of directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by us on behalf of the board of directors in which such individual is named as nominee for director.

On or before the 30th day after the occurrence of a Fundamental Change, we will provide to the trustee, the paying agent and to all holders of the notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the events causing the Fundamental Change,

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- the date of the Fundamental Change,
- the last date on which a holder may exercise the purchase right,
- the Fundamental Change purchase price,
- the Fundamental Change purchase date,
- the name and address of the paying agent and the conversion agent,
- the conversion rate and any adjustments to the conversion rate,

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- that notes with respect to which a Fundamental Change purchase notice has been given may be converted only if the holder withdraws the Fundamental Change purchase notice in accordance with the terms of the indenture, and
- the procedures that holders must follow to require us to purchase their notes.

In connection with providing such notice, we will issue a press release and publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on our web site or through such other public medium as we may use at that time.

To exercise the purchase right, holders must deliver, on or before the 35th day after the date of our notice of a Fundamental Change, subject to extension to comply with applicable law, the notes to be purchased, duly endorsed for transfer, together with a written purchase notice and the form entitled "Form of Fundamental Change Purchase Notice" duly completed, to the paying agent. The purchase notice must state:

- if certificated, the certificate numbers of the notes to be delivered for purchase,
- the portion of the principal amount of notes to be purchased, which must be \$1,000 or an integral multiple thereof, and
- that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the indenture.

If the notes are not in certificated form, the notice must comply with appropriate DTC procedures.

Holders may withdraw any purchase notice (in whole or in part) by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the Fundamental Change purchase date. The notice of withdrawal must state:

- the principal amount of the withdrawn notes,
- if certificated notes have been issued, the certificate numbers of the withdrawn notes, and
- the principal amount, if any, which remains subject to the purchase notice.

If the notes are not in certificated form, the notice must comply with appropriate DTC procedures.

We will be required to purchase notes no later than 35 days after the date of our notice of the occurrence of the relevant Fundamental Change, subject to extension to comply with applicable law. Holders will receive payment of the Fundamental Change purchase price promptly following the later of the Fundamental Change purchase date or the time of book-entry transfer or the delivery of the notes. If the paying agent holds money sufficient to pay the Fundamental Change purchase price of the notes on the business day following the Fundamental Change purchase date, then on and after the Fundamental Change purchase date:

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- the notes will cease to be outstanding and interest, including contingent interest and additional amounts, if any, will cease to accrue (whether or not book-entry transfer of the notes is made or whether or not the notes are delivered to the paying agent), and
- all other rights of the holder will terminate (other than the right to receive the Fundamental Change purchase price upon delivery or transfer of the notes).

The rights of the holders to require us to purchase their notes upon a Fundamental Change could discourage a potential acquirer of us. The Fundamental Change purchase feature, however, is not the result of management's knowledge of any specific effort to accumulate shares of our common stock, to obtain control of us by any means or part of a plan by management to adopt a series of anti-takeover provisions.

The term Fundamental Change is limited to specified transactions and may not include other events that might adversely affect our financial condition. In addition, the requirement that we offer to purchase the notes upon a Fundamental Change may not protect holders in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

No notes may be purchased at the option of holders upon a Fundamental Change if there has occurred and is continuing an event of default other than an event of default that is cured by the payment of the Fundamental Change purchase price of the notes.

The definition of Fundamental Change includes a phrase relating to the sale, lease or other transfer of "all or substantially all" of our consolidated assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of the notes to require us to purchase its notes as a result of the sale, lease or other transfer of less than all of our assets may be uncertain.

If a Fundamental Change were to occur, we may not have enough funds to pay the Fundamental Change purchase price. See "Risk Factors" under the caption "Risks Related to the Notes -- We may not have the ability to raise the funds necessary to purchase the notes upon a Fundamental Change or other purchase date, as required by the indenture governing the notes." Our failure to purchase the notes when required following a Fundamental Change will constitute an event of default under the indenture with respect to the notes. In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting holders to accelerate or to require us to purchase our indebtedness upon the occurrence of similar events or on some specific dates.

CONSOLIDATION, MERGER AND SALE OF ASSETS

Under the indenture, we may not consolidate with or merge into, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, referred to as a "successor person" unless:

- the successor person is a corporation, partnership, trust or other entity organized and validly existing under the laws of the United States of America or any state thereof or the District of Columbia,
- the successor person expressly assumes our obligations with respect to the notes and the indenture,
- immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, would occur and be continuing, and

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- we have delivered to the trustee the certificates and opinions required under the indenture. (Section 801)

However, certain of these transactions occurring prior to January 15, 2007 could constitute a Fundamental Change (as defined above) permitting each holder to require us to purchase the notes of such holder as described above.

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EVENTS OF DEFAULT

Each of the following will be an event of default under the indenture with respect to the notes:

- our failure to pay the principal of or premium, if any, on the notes when due,
- our failure to pay any interest, including contingent interest and additional amounts, if any, on the notes for 30 days after the interest becomes due,
- our failure to perform, or our breach, in any material respect, of any other covenant or warranty in the indenture, other than a covenant or warranty included in the indenture solely for the benefit of another series of debt securities issued under the indenture, for 90 days after either the trustee or holders of at least 25% in principal amount of the outstanding notes have given us written notice of the failure or breach in the manner required by the indenture,
- the default by us, CERC or CenterPoint Houston in a scheduled payment at maturity, upon redemption or otherwise in the aggregate principal amount of \$50 million or more, after the expiration of any applicable grace period, of any Indebtedness, or the acceleration of any Indebtedness of us, CERC or CenterPoint Houston in such aggregate principal amount, so that it becomes due and payable prior to the date on which it would otherwise have become due and payable and such payment default is not cured or such acceleration is not rescinded within 30 days after notice to us in accordance with the terms of the Indebtedness; provided that such payment default or acceleration of CERC or CenterPoint Houston will not be an event of default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be, is not one of our affiliates,
- specified events involving bankruptcy, insolvency or reorganization of us, CERC or CenterPoint Houston; provided that any specified event involving CERC or CenterPoint Houston will not be an event of default if, at the time such event occurs, CERC or CenterPoint Houston, as the case may be, is not one of our affiliates,
- our failure to redeem notes after we have exercised our redemption option,
- our failure to satisfy our conversion obligation upon exercise of a holder's conversion right, and
- our failure to purchase notes upon the occurrence of a Fundamental Change or exercise by a holder of its option to require us to purchase such holder's notes,

provided, however, that no event described in the third bullet point above will

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be an event of default until an officer of the trustee, assigned to and working in the trustee's corporate trust department, has actual knowledge of the event or until the trustee receives written notice of the event at its corporate trust office, and the notice refers to the notes generally, us and the indenture. (Section 501)

If an event of default occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding notes may declare the principal amount of the notes due and immediately payable. In order to declare the principal amount of the notes due and immediately payable, the trustee or the holders must deliver a notice that satisfies the requirements of the indenture. Upon a declaration by the trustee or the holders, we will be obligated to pay the principal amount of the notes plus accrued and unpaid interest, including contingent interest and additional amounts, if any which have then been accrued.

This right does not apply if an event of default described in the fifth bullet point above occurs. If one of the events of default described in the fifth bullet point above occurs and is continuing, the notes then outstanding under the indenture shall be due and payable immediately.

At any time after any declaration of acceleration of the notes, but before a judgment or decree for payment of the money due has been obtained by the trustee, the event of default giving rise to the declaration of acceleration

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will, without further act, be deemed to have been waived, and such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled if:

- we have paid or deposited with the trustee a sum sufficient to pay:
 - all overdue installments of interest on the notes, including contingent interest and additional amounts, if any,
 - the principal of (and premium, if any, on) the notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefore,
 - to the extent lawfully permitted, interest upon overdue interest, and
 - all sums owed to the trustee under the indenture, and
- all events of default, other than the non-payment of the principal amount of the notes which became due solely by such declaration of acceleration, have been cured or waived as provided in the indenture. (Section 502) See " -- Modification and Waiver" below.

If an event of default occurs and is continuing, the trustee will generally have no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless the holders offer reasonable indemnity to the trustee. (Section 603) The holders of a majority in principal amount of the outstanding notes will generally 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 for the notes, provided that:

- the direction is not in conflict with any law or the indenture,

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- the trustee may take any other action it deems proper which is not inconsistent with the direction, and
- the trustee will generally have the right to decline to follow the direction if an officer of the trustee determines, in good faith, that the proceeding would involve the trustee in personal liability or would otherwise be contrary to applicable law. (Section 512)

A holder of a note may only pursue a remedy under the indenture if:

- the holder has previously given the trustee written notice of a continuing event of default for the notes,
- holders of at least 25% in principal amount of the outstanding notes have made a written request to the trustee to pursue that remedy,
- the holders have offered reasonable indemnity to the trustee,
- the trustee fails to pursue that remedy within 60 days after receipt of the request, and
- during that 60-day period, the holders of a majority in principal amount of the notes do not give the trustee a direction inconsistent with the request. (Section 507)

However, these limitations do not apply to a suit by a holder of a note demanding payment of the principal, premium, if any, or interest on a note on or after the date the payment is due. (Section 508)

We will be required to furnish to the trustee annually a statement by some of our officers regarding our performance or observance of any of the terms of the indenture and specifying all of our known defaults, if any. (Section 1004)

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MODIFICATION AND WAIVER

We may enter into one or more supplemental indentures with the trustee without the consent of the holders of the notes in order to:

- evidence the succession of another corporation to us, or successive successions and the assumption of our covenants, agreements and obligations by a successor,
- add to our covenants for the benefit of the holders of any series of debt securities issued under the indenture or to surrender any of our rights or powers,
- add events of default for any series of debt securities issued under the indenture,
- add to or change any provision of the indenture to the extent necessary to issue notes in bearer form,
- add to, change or eliminate any provision of the indenture applying to one or more series of debt securities issued under the indenture, provided that if such action adversely affects the interests of any holder of any series of debt securities, the addition, change or elimination will become effective with respect to that series only

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when no security of that series remains outstanding,

- convey, transfer, assign, mortgage or pledge any property to or with the trustee or to surrender any right or power conferred upon us by the indenture,
- establish the form or terms of any series of debt securities issued under the indenture,
- provide for uncertificated securities in addition to certificated securities,
- evidence and provide for successor trustees or to add to or change any provisions to the extent necessary to appoint a separate trustee or trustees for a specific series of debt securities,
- correct any ambiguity, defect or inconsistency under the indenture, provided that such action does not adversely affect the interests of the holders of any series of debt securities,
- supplement any provisions of the indenture necessary to defease and discharge any series of debt securities, provided that such action does not adversely affect the interests of the holders of any series of debt securities,
- comply with the rules or regulations of any securities exchange or automated quotation system on which any debt securities are listed or traded, or
- add, change or eliminate any provisions of the indenture in accordance with any amendments to the Trust Indenture Act of 1939, provided that the action does not adversely affect the rights or interests of any holder of debt securities. (Section 901)

We may enter into one or more supplemental indentures with the trustee in order to add to, change or eliminate provisions of the indenture or to modify the rights of the holders of one or more series of debt securities, including the notes, if we obtain the consent of the holders of a majority in principal amount of the outstanding debt securities of each series affected by the supplemental indenture, treated as one class. However, without the consent of the holders of each outstanding debt security affected by the supplemental indenture, we may not enter into a supplemental indenture that:

- changes the stated maturity of the principal of, or any installment of principal of or interest on, any debt security, except to the extent permitted by the indenture,
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- reduces the principal amount of, or any premium or interest on, any debt security,
 - in the case of the notes, reduces the redemption price, purchase price or Fundamental Change purchase price of the notes or changes the terms applicable to redemption or purchase of the notes in a manner adverse to the holder,
 - reduces the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof,

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- changes the place or currency of payment of principal, premium, if any, or interest,
- impairs the right to institute suit for the enforcement of any payment on any note,
- reduces the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification or amendment of the indenture,
- reduces the percentage in principal amount of outstanding debt securities of any series necessary for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults,
- makes certain modifications to such provisions with respect to modification and waiver,
- makes any change that adversely affects the right to convert or exchange any debt security, including the notes, or decreases the conversion or exchange rate or increases the conversion price of any convertible or exchangeable debt security,
- in the case of the notes, alters the manner of calculation or rate of contingent interest or additional amounts payable on any note or extends the time for payment of any such amount, or
- changes the terms and conditions pursuant to which any series of debt securities that is secured in a manner adverse to the holders of the debt securities. (Section 902)

Holders of a majority in principal amount of the outstanding notes may waive past defaults or noncompliance with restrictive provisions of the indenture. However, the consent of holders of each outstanding note is required to:

- waive any default in the payment of principal, premium, if any, or interest,
- waive any covenants and provisions of the indenture that may not be amended without the consent of the holder of each outstanding note,
- waive any default in any payment of redemption price, purchase price or Fundamental Change purchase price with respect to any notes, or
- waive any default which constitutes a failure to convert any note in accordance with its terms and the terms of the indenture. (Sections 513 and 1006)

In order to determine whether the holders of the requisite principal amount of the outstanding debt securities have taken an action under the indenture as of a specified date:

- the principal amount of an "original issue discount security" that will be deemed to be outstanding will be the amount of the principal that would be due and payable as of such date upon acceleration of the maturity to such date,

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- if, as of such date, the principal amount payable at the stated maturity of a debt security is not determinable, for example, because it is based on an index, the principal amount of such debt security deemed to be outstanding as of such date will be an amount determined in the manner prescribed for such debt security,
- the principal amount of a debt security denominated in one or more foreign currencies or currency units that will be deemed to be outstanding will be the \$U.S. equivalent, determined as of such date in the manner prescribed for such debt security, of the principal amount of such debt security or, in the case of a debt security described in the two preceding bullet points, of the amount described above, and
- debt securities owned by us or any other obligor upon the debt securities or any of our or their affiliates will be disregarded and deemed not to be outstanding.

An "original issue discount security" means a debt security issued under the indenture which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of maturity. Some debt securities, including those for the payment or redemption of which money has been deposited or set aside in trust for the holders and those that have been fully defeased pursuant to Section 1402 of the indenture, will not be deemed to be outstanding. (Section 101)

We will generally be entitled to set any day as a record date for determining the holders of outstanding notes entitled to give or take any direction, notice, consent, waiver or other action under the indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders of outstanding notes. If a record date is set for any action to be taken by holders, the action may be taken only by persons who are holders of outstanding notes on the record date. To be effective, the action must be taken by holders of the requisite principal amount of notes within a specified period following the record date. For any particular record date, this period will be 180 days or such shorter period as we may specify, or the trustee may specify, if it set the record date. This period may be shortened or lengthened by not more than 180 days. (Section 104)

DEFEASANCE

The notes will be subject to both legal defeasance and discharge and covenant defeasance at our option. However, our obligations with respect to the convertibility of the notes will survive any such action by us. (Section 1401)

DEFEASANCE AND DISCHARGE. We will be discharged from all of our obligations with respect to the notes, except for certain obligations to convert, exchange or register the transfer of notes, to replace stolen, lost or mutilated notes, to maintain paying agencies and to hold moneys for payment in trust, upon the deposit in trust for the benefit of the holders of the notes of money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal, premium, if any, and interest on the notes to the stated maturity of the notes in accordance with the terms of the indenture and the notes. Such defeasance or discharge may occur only if, among other things, we have delivered to the trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the notes will not recognize gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the

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case if such deposit, defeasance and discharge were not to occur. (Sections 1402 and 1404)

DEFEASANCE OF CERTAIN COVENANTS. In certain circumstances, we may omit to comply with specified restrictive covenants, and that in those circumstances the occurrence of certain events of default, which are described in the third bullet point under " -- Events of Default" above, with respect to such restrictive covenants, and those described in the fourth bullet point under " -- Events of Default" above, will be deemed not to be or result in an event of default, in each case with respect to the notes. We, in order to exercise such option, will be required to deposit, in trust for the benefit of the holders of the notes, money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal, premium, if any, and interest on the notes to the stated maturity in accordance with

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the terms of the indenture and the notes. However, our obligations with respect to the convertibility of the notes will survive any such action by us. We will also be required, among other things, to deliver to the trustee an opinion of counsel to the effect that holders of the notes will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance were not to occur. In the event we exercise this option with respect to any notes and the notes were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. government obligations so deposited in trust would be sufficient to pay amounts due on the notes at the time of their stated maturity, but might not be sufficient to pay amounts due on such notes upon any acceleration resulting from the event of default. In such case, we would remain liable for those payments. (Sections 1403 and 1404)

SATISFACTION AND DISCHARGE

We may discharge our obligations under the indenture while notes remain outstanding, other than our obligations in respect of conversion, if (1) all outstanding debt securities issued under the indenture have become due and payable, whether at stated maturity, or any redemption date or any purchase date, (2) all outstanding debt securities issued under the indenture have or will become due and payable at their scheduled maturity within one year, or (3) all outstanding debt securities issued under the indenture are scheduled for redemption in one year, and in each case, we have deposited with the trustee an amount sufficient to pay and discharge all outstanding debt securities issued under the indenture on the date of their scheduled maturity or the scheduled date of redemption or purchase.

CALCULATIONS IN RESPECT OF NOTES

We will be responsible for making all calculations called for under the notes. These calculations include, but are not limited to, determinations of the market prices of our common stock, accrued interest payable on the notes and the conversion price of the notes. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of notes. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and the trustee and conversion agent are entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of notes upon the request of that holder.

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SINKING FUND

We are not obligated to make mandatory redemption or sinking fund payments with respect to the notes.

RESTRICTIVE COVENANT

Other than the covenant described below, the indenture does not contain financial covenants and does not restrict us from paying dividends, incurring additional indebtedness or issuing or repurchasing any of our other securities. The indenture also does not protect holders in the event of a highly leveraged transaction, except to the extent described under " -- Fundamental Change Requires Purchase of Notes by Us at the Option of the Holder," " -- Consolidation, Merger and Sale of Assets" and " -- Conversion Rights -- Conversion Upon Specified Corporate Transactions."

LIMITATIONS ON LIENS. So long as any of the notes are outstanding, we will not pledge, mortgage, hypothecate or grant a security interest in, or permit any such mortgage, pledge, security interest or other lien upon, any capital stock or other equity interests owned by us of any Significant Subsidiary to secure any Indebtedness, without making effective provision whereby the outstanding notes are equally and ratably secured. This restriction shall not apply to:

- any mortgage, pledge, security interest, lien or encumbrance upon the capital stock of Texas Genco to secure obligations under our current credit facility or any extension, renewal, refunding, amendment or replacement thereof,

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- any mortgage, pledge, security interest, lien or encumbrance upon the capital stock or other equity interests of CenterPoint Energy Transition Bond Company, LLC or any other special purpose subsidiary created on or after December 17, 2003 by us in connection with the issuance of securitization bonds for the economic value of generation-related regulatory assets and stranded costs,
- any mortgage, pledge, security interest, lien or encumbrance upon any capital stock or other equity interests in an entity which was not affiliated with us prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance (or the capital stock or other equity interests of a holding company formed to acquire or hold such capital stock or other equity interests) created at the time of our acquisition of the capital stock or other equity interests or within one year after such time to secure all or a portion of the purchase price for such capital stock or other equity interests; provided that the principal amount of any Indebtedness secured by such mortgage, pledge, security interest, lien or encumbrance does not exceed 100% of such purchase price and the fees, expenses and costs incurred in connection with such acquisition and acquisition financing,
- any mortgage, pledge, security interest, lien or encumbrance existing upon capital stock or other equity interests in an entity which was not affiliated with us prior to one year before the grant of such mortgage, pledge, security interest, lien or encumbrance at the time of our acquisition of such capital stock or other equity interests (whether or not the obligations secured thereby are assumed by us or such subsidiary becomes a Significant Subsidiary); provided that (i)

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such mortgage, pledge, security interest, lien or encumbrance existed at the time such entity became a