

WEX Inc.  
Form 10-Q  
November 08, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32426

WEX INC.

(Exact name of registrant as specified in its charter)

Delaware	01-0526993
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

97 Darling Avenue, South Portland, Maine	04106
(Address of principal executive offices)	(Zip Code)

(207) 773-8171

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes    No

Number of shares of common stock outstanding as of October 31, 2018 was 43,103,426.

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Unless otherwise indicated or required by the context, the terms “we,” “us,” “our,” “WEX,” or the “Company,” in this Quarterly Report on Form 10-Q mean WEX Inc. and all of its subsidiaries that are consolidated under Generally Accepted Accounting Principles in the United States.

**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for statements that are forward-looking and are not statements of historical facts. This Quarterly Report includes forward-looking statements including, but not limited to, statements about management’s plan and goals. Any statements in this Quarterly Report that are not statements of historical facts are forward-looking statements. When used in this Quarterly Report, the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project” and similar expressions identify forward-looking statements, although not all forward-looking statements contain such words.

Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report and in oral statements made by our authorized officers:

- the effects of general economic conditions on fueling patterns as well as payment and transaction processing activity;
- the impact of foreign currency exchange rates on the Company’s operations, revenue and income;
- changes in interest rates;
- the impact of fluctuations in fuel prices;
- the effects of the Company’s business expansion and acquisition efforts;
- potential adverse changes to business or employee relationships, including those resulting from the completion of an acquisition;
- competitive responses to any acquisitions;
- uncertainty of the expected financial performance of the combined operations following completion of an acquisition;
- the ability to successfully integrate the Company’s acquisitions;
- the ability to realize anticipated synergies and cost savings;
- unexpected costs, charges or expenses resulting from an acquisition;
- the Company’s ability to successfully acquire, integrate, operate and expand commercial fuel card programs
- the failure of corporate investments to result in anticipated strategic value;
- the impact and size of credit losses;
- the impact of changes to the Company’s credit standards;
- breaches of the Company’s technology systems or those of the Company’s third-party service providers and any resulting negative impact on our reputation, liabilities or relationships with customers or merchants;
- the Company’s failure to maintain or renew key commercial agreements;
- failure to expand the Company’s technological capabilities and service offerings as rapidly as the Company’s competitors;
- failure to successfully implement the Company’s information technology strategies and capabilities in connection with its technology outsourcing and insourcing arrangements and any resulting cost associated with that failure;
- the actions of regulatory bodies, including banking and securities regulators, or possible changes in banking or financial regulations impacting the Company’s industrial bank, the Company as the corporate parent or other subsidiaries or affiliates;
- the impact of the Company’s outstanding notes on its operations;
- the impact of increased leverage on the Company’s operations, results or borrowing capacity generally, and as a result of acquisitions specifically;
- the incurrence of impairment charges if our assessment of the fair value of certain of our reporting units changes;
- the uncertainties of litigation; as well as
-

other risks and uncertainties identified in Item 1A of our annual report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on March 1, 2018.

Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition, disposition or stock repurchases. The forward-looking statements speak only as of the date of the initial filing of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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## ACRONYMS AND ABBREVIATIONS

The acronyms and abbreviations identified below are used in this Quarterly Report, including the unaudited condensed consolidated financial statements and the notes thereto. The following is provided to aid the reader and provide a reference point when reviewing this Quarterly Report.

2016 Credit Agreement	Credit agreement entered into on July 1, 2016 by and among the Company and certain of its subsidiaries, as borrowers, WEX Card Holding Australia Pty Ltd., as designated borrower, and Bank of America, N.A., as administrative agent on behalf of the lenders, as amended.
2017 Tax Act	2017 Tax Cuts and Jobs Act
Adjusted Net Income or ANI	A non-GAAP measure that adjusts net income attributable to shareholders to exclude unrealized gains and losses on financial instruments, net foreign currency remeasurement gains and losses, acquisition-related intangible amortization, other acquisition and divestiture related items, stock-based compensation, restructuring and other costs, impairment charges, debt restructuring and debt issuance cost amortization, adjustments attributed to our non-controlling interest and certain tax related items.
Segment adjusted operating income	A non-GAAP measure that adjusts operating income to exclude specified items that the Company's management excludes in evaluating segment performance, including acquisition and divestiture related expenses and adjustments including the amortization of purchased intangibles, impairment charges, the expense associated with stock-based compensation, restructuring and other costs, debt restructuring costs and unallocated corporate expenses.
AOC	AOC Solutions and one of its affiliate companies, 3Delta Systems, Inc.
ASU 2014-09	Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (Topic 606)
ASU 2016-01	Accounting Standards Update No. 2016-01 Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities
ASU 2016-02	Accounting Standards Update No. 2016-02 Leases (Topic 842)
ASU 2016-09	Accounting Standards Update No. 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting
ASU 2016-13	Accounting Standards Update No. 2016-13 Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
ASU 2016-18	Accounting Standards Update No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash
ASU 2017-07	Accounting Standards Update 2017-07 Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
ASU 2018-15	Accounting Standards Update No. 2018-15 Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract
Australian Securitization Subsidiary Company	Southern Cross WEX 2015-1 Trust, a bankruptcy-remote subsidiary consolidated by the Company
EBITDA	WEX Inc. and all entities included in the unaudited condensed consolidated financial statements
EFS	A non-GAAP measure that adjusts income before income taxes to exclude interest, depreciation and amortization
European Securitization Subsidiary	Electronic Funds Source, LLC, a provider of customized corporate payment solutions for fleet and corporate customers with a focus on the large and mid-sized over-the-road fleets. On July 1, 2016, the Company acquired WP Mustang Topco LLC, the indirect parent of Electronic Funds Source, LLC and Warburg Pincus Private Equity XI (Lexington), LLC, an affiliated entity, from investment funds affiliated with Warburg Pincus LLC
	Gorham Trade Finance B.V., a bankruptcy-remote subsidiary consolidated by the Company

FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
GAAP	Generally Accepted Accounting Principles in the United States
GILTI	Global Intangible Low Taxed Income
ICS	Insured Cash Sweep
Indenture	The Notes were issued pursuant to an indenture dated as of January 30, 2013 among the Company, the guarantors listed therein, and The Bank of New York Mellon Trust Company, N.A., as trustee
NYSE	New York Stock Exchange
Notes	\$400 million notes with a 4.75% fixed rate, issued on January 30, 2013
Over-the-road	Typically heavy trucks traveling long distances
Payment solutions	Total amount paid by customers for transactions
purchase volume	
Payment processing transactions	Funded payment transactions where the Company maintains the receivable for total purchase
SaaS	Software-as-a-service
SEC	Securities and Exchange Commission
Total fuel transactions	Total of transaction processing and payment processing transactions of our Fleet Solutions segment
WEX Latin America	UNIK S.A., the Company's Brazilian subsidiary, which has been subsequently branded WEX Latin America
WEX	WEX Inc.
WEX Health	Evolution1 and Benaissance, collectively

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## PART I

## Item 1. Financial Statements.

## WEX INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Payment processing revenue	\$ 182,871	\$ 145,702	\$ 530,063	\$ 423,434
Account servicing revenue	78,748	71,322	236,168	198,538
Finance fee revenue	53,703	50,879	154,958	136,336
Other revenue	67,368	56,099	187,206	160,935
Total revenues	382,690	324,002	1,108,395	919,243
Cost of services				
Processing costs	79,580	69,119	235,508	202,682
Service fees	13,818	19,658	39,847	57,413
Provision for credit losses	21,435	19,614	46,930	47,927
Operating interest	10,268	7,537	28,281	17,049
Depreciation and amortization	19,013	18,879	60,058	54,639
Total cost of services	144,114	134,807	410,624	379,710
General and administrative	51,799	51,538	155,720	133,788
Sales and marketing	54,611	41,585	168,849	121,726
Depreciation and amortization	29,054	32,349	88,817	95,788
Impairment charges	2,424	—	2,424	16,175
Operating income	100,688	63,723		

As used in the indenture, the term *corporation* means a corporation, association, company, limited liability company, joint-stock company or business trust.

**Events of Default.** Unless we inform you otherwise in the prospectus supplement, each of the following will be an event of default under each indenture for a series of debt securities:

our failure to pay principal or premium, if any, on that series when due, including at maturity or upon redemption or acceleration,

our failure to pay any interest on that series for 30 days after the interest becomes due,

our failure to deposit any sinking fund payment, when due, relating to that series,

our failure to perform, or our breach in any material respect of, any other covenant or warranty in the applicable indenture, other than a covenant or warranty included in such indenture solely for the benefit of another series of debt securities, for 90 days after either the trustee or holders of at least 25% in principal amount of the outstanding debt securities of that series have given us written notice of the breach in the manner required by the applicable indenture,



specified events involving our bankruptcy, insolvency or reorganization, and  
any other event of default we may provide for that series,

provided, however, that no event described in the fourth bullet point above will 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. (Section 501)

If an event of default for a series of debt securities occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding debt securities of that series may declare the principal amount of all the debt securities of that series due and immediately payable. In order to declare the principal amount of that series of debt securities due and immediately payable, the trustee or the holders must deliver a notice that satisfies the requirements of the applicable indenture. Upon a declaration by the trustee or the holders, we will be obligated to pay the principal amount of the series of debt securities.

The right described in the preceding paragraph does not apply if an event of default described in the fifth bullet point above occurs, or an event of default described in the sixth bullet point above that applies to all

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outstanding debt securities under the applicable indenture occurs. If one of the events of default described in the fifth bullet point above occurs with respect to the debt securities of any series, the debt securities of that series then outstanding under the applicable indenture will be due and payable immediately. If any of the events of default described in the sixth bullet point above that apply to all outstanding debt securities under an indenture occurs and is continuing, either the trustee or holders of at least 25% in principal amount of all of the debt securities then outstanding under the applicable indenture, treated as one class, may declare the principal amount of all of the debt securities then outstanding under such indenture to be due and payable immediately. In order to declare the principal amount of the debt securities due and immediately payable, the trustee or the holders must deliver a notice that satisfies the requirements of the applicable indenture. Upon a declaration by the trustee or the holders, we will be obligated to pay the principal amount of the debt securities.

However, after any declaration of acceleration of a series of debt securities, but before a judgment or decree for payment has been obtained, the event of default giving rise to the declaration of acceleration 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 interest,

the principal and premium, if any, due otherwise than by the declaration of acceleration and any interest on such amounts,

any interest on overdue interest, to the extent legally permitted, and

all amounts due to the trustee under the applicable indenture, and

all events of default with respect to that series of debt securities, other than the nonpayment of the principal which became due solely by virtue of the declaration of acceleration, have been cured or waived. (Section 502)

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 applicable 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 debt securities of any series 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 debt securities of that series, provided that:

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

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 debt security of any series may only pursue a remedy under the applicable indenture if:

the holder gives the trustee written notice of a continuing event of default for that series,

holders of at least 25% in principal amount of the outstanding debt securities of that series make a written request to the trustee to institute proceedings with respect to the event of default,

the holders offer reasonable indemnity to the trustee,

the trustee fails to pursue that remedy within 60 days after receipt of the notice, request and offer of indemnity, and

during that 60-day period, the holders of a majority in principal amount of the debt securities of that series do not give the trustee a direction inconsistent with the request. (Section 507)

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However, these limitations do not apply to a suit by a holder of a debt security demanding payment of the principal, premium, if any, or interest on a debt security 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 applicable indenture and specifying all of our known defaults, if any. (Section 1004)

***Modification and Waiver.*** We may enter into one or more supplemental indentures to either indenture with the trustee without the consent of the holders of the debt securities 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 or to surrender any of our rights or powers,

add events of default for any series of debt securities,

add to or change any provision of the applicable indenture to the extent necessary to issue debt securities in bearer form,

add to, change or eliminate any provision of the applicable indenture applying to one or more series of debt securities, including, for the junior subordinated indenture, the subordination provisions, provided that if such action adversely affects the interests of any holder of any series of debt securities issued thereunder, the addition, change or elimination will become effective with respect to that series only 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 applicable indenture,

establish the form or terms of any series of debt securities,

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 applicable indenture, provided that such action does not adversely affect the interests of the holders of any series of debt securities issued thereunder,

supplement any provisions of the applicable 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 issued thereunder,

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 applicable indenture in accordance with any amendments to the Trust Indenture Act, provided that the action does not adversely affect the rights or interests of any holder of debt securities issued thereunder. (Section 901)

We may enter into one or more supplemental indentures to either indenture with the trustee in order to add to, change or eliminate provisions of such indenture or to modify the rights of the holders of one or more series of debt securities 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 applicable indenture,

reduces the principal amount of, or any premium or interest on, any debt security,

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reduces the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof,

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 debt security,

reduces the percentage in principal amount of outstanding debt securities of any series, the consent of whose holders is required for modification of the applicable indenture, for waiver of compliance with certain provisions of such indenture or for waiver of certain defaults,

makes certain modifications to the provisions for modification of the applicable indenture and for certain waivers, except to increase the principal amount of debt securities necessary to consent to any such charge,

in the case of the junior subordinated indenture, modifies the subordination provisions in a manner adverse to the holders of the junior subordinated debt securities,

makes any change that adversely affects the right to convert or exchange any debt security or decreases the conversion or exchange rate or increases the conversion price of any convertible or exchangeable debt security, or

changes the terms and conditions pursuant to which any series of debt securities is secured in a manner adverse to the holders of the debt securities. (Section 902)

In addition, we may not modify the subordination provisions of any outstanding junior subordinated debt securities without the consent of each holder of our senior debt that would be adversely affected thereby. The term **senior debt** is defined below under **Provisions Applicable Solely to Junior Subordinated Debt Securities** **Subordination**.

Holders of a majority in principal amount of the outstanding debt securities of any series may waive past defaults or noncompliance with restrictive provisions of the applicable indenture with respect to such series. However, the consent of holders of each outstanding debt security of a series is required to:

waive any default in the payment of principal, premium, if any, or interest, or

waive any covenants and provisions of the applicable indenture that may not be amended without the consent of the holder of each outstanding debt security of the series affected. (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 applicable 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 that date upon acceleration of the maturity to that date,

if, as of that 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 the debt security deemed to be outstanding as of that date will be an amount determined in the manner prescribed for the 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. dollar equivalent, determined as of that date in the manner prescribed for the debt security, of the principal amount of the 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 either indenture which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of

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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 both indentures, 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 debt securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the applicable indenture. In limited circumstances, the trustee will be entitled to set a record date for action by holders of outstanding debt securities. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding debt securities of that series on the record date. To be effective, the action must be taken by holders of the requisite principal amount of debt securities 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. (Section 104)

***Defeasance.*** When we use the term defeasance, we mean discharge from some or all of our obligations under either indenture. Unless we inform you otherwise in the prospectus supplement, if we deposit with the trustee funds or government securities sufficient to make payments on the debt securities of a series on the dates those payments are due and payable, then, at our option, either of the following will occur:

we will be discharged from our obligations with respect to the debt securities of that series ( legal defeasance ), or

we will no longer have any obligation to comply with the restrictive covenants under the applicable indenture, and the related events of default will no longer apply to us, but some of our other obligations under the indenture and the debt securities of that series, including our obligation to make payments on those debt securities, will survive.

If we effect legal defeasance of a series of debt securities, the holders of the debt securities of the series affected will not be entitled to the benefits of the applicable indenture, except for our obligations to:

- register the transfer or exchange of debt securities,
- replace mutilated, destroyed, lost or stolen debt securities, and
- maintain paying agencies and hold moneys for payment in trust.

Unless we inform you otherwise in the prospectus supplement, we will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the debt securities to recognize gain or loss for federal income tax purposes and that the holders would be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the deposit and related defeasance had not occurred. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the United States Internal Revenue Service or a change in law to that effect. (Sections 1401, 1402, 1403 and 1404)

***Notices.*** Holders will receive notices by mail at their addresses as they appear in the security register. (Section 106)

***Title.*** We may treat the person in whose name a debt security is registered on the applicable record date as the owner of the debt security for all purposes, whether or not it is overdue. (Section 309)

***Governing Law.*** New York law will govern both indentures and the debt securities. (Section 112)



**Regarding the Trustee.** As of June 30, 2008, the trustee served as trustee for \$1.8 billion aggregate principal amount of our outstanding debt securities and \$1.0 billion aggregate principal amount of outstanding pollution control bonds issued on our behalf. In addition, the trustee serves as trustee for debt securities of some of our subsidiaries. We maintain brokerage relationships and a rabbi trust with the trustee and its affiliates.

If an event of default occurs under either indenture and is continuing, the trustee will be required to use the degree of care and skill of a prudent person in the conduct of that person's own affairs. The trustee will

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become obligated to exercise any of its powers under the applicable indenture at the request of any of the holders of any debt securities issued under such indenture only after those holders have offered the trustee indemnity satisfactory to it.

If the trustee becomes one of our creditors, its rights to obtain payment of claims in specified circumstances, or to realize for its own account on certain property received in respect of any such claim as security or otherwise will be limited under the terms of the applicable indenture. (Section 613) The trustee may engage in certain other transactions; however, if the trustee acquires any conflicting interest (within the meaning specified under the Trust Indenture Act), it will be required to eliminate the conflict or resign. (Section 608)

**Provisions Applicable Solely to Senior Debt Securities**

**Ranking.** Our senior debt securities will rank equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness.

**Provisions Applicable Solely to Junior Subordinated Debt Securities**

**Subordination.** The junior subordinated debt securities are subordinate and junior in right of payment, to the extent and in the manner stated in the junior subordinated indenture, to all of our senior indebtedness, as defined in the junior subordinated indenture.

Unless we inform you otherwise in a prospectus supplement, senior indebtedness means:

all indebtedness and obligations of, or guaranteed or assumed by, us for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, whether existing on the date of the junior subordinated indenture or subsequently created, incurred or assumed, and

all amendments, renewals, extensions, modifications and refundings of any indebtedness or obligations of that kind.

Notwithstanding the foregoing, senior indebtedness excludes (i) our indebtedness to our subsidiaries, (ii) trade accounts payable and accrued liabilities arising in the ordinary course of business and (iii) the junior subordinated debt securities and any other indebtedness or obligations that would otherwise constitute indebtedness if it is specifically designated as being subordinate, or not superior, in right of payment to the junior subordinated debt securities. Senior indebtedness includes \$840 million of our 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029.

We will describe additional provisions of our junior subordinated debt securities in a prospectus supplement applicable to the particular series of junior subordinated debt securities.

**Defeasance.** Upon the effectiveness of any defeasance or covenant defeasance with respect to our junior subordinated securities, the junior subordinated debt securities then outstanding shall cease to be subordinated. See Provisions Applicable to Both Indentures Defeasance .

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**DESCRIPTION OF OUR CAPITAL STOCK**

The following descriptions are summaries of material terms of our common stock, preferred stock, articles of incorporation and bylaws. This summary is qualified by reference to our amended and restated articles of incorporation and amended and restated bylaws, each as amended to date, copies of which we have filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and by the provisions of applicable law. As of June 30, 2008, our authorized capital stock consisted of:

1,000,000,000 shares of common stock, par value \$0.01 per share, of which 341,778,004 shares were outstanding, excluding 166 shares held as treasury stock, and

20,000,000 shares of preferred stock, par value \$0.01 per share, of which no shares were outstanding.

A series of our preferred stock, designated Series A Preferred Stock, has been reserved for issuance upon exercise of the preferred stock purchase rights attached to each share of our common stock pursuant to the shareholder rights plan discussed below.

**Common Stock**

***Voting Rights.*** Holders of our common stock are entitled to one vote for each share on all matters submitted to a vote of shareholders, including the election of directors. There are no cumulative voting rights. Subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, the holders of our common stock possess exclusive full voting power for the election of directors and for all other purposes. Our bylaws provide that director nominees are elected by the vote of a majority of the votes cast with respect to the director by shareholders entitled to vote at the meeting in an uncontested election. An election is contested if, at a specified time before we file our definitive proxy statement with the SEC, the number of nominees exceeds the number of directors to be elected, in which case directors will be elected by the vote of a plurality of the votes cast by shareholders entitled to vote at the meeting.

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

***Liquidation Rights.*** If we are liquidated, dissolved or wound up, the holders of our common stock will be entitled to a pro rata share in any distribution to shareholders, but only after satisfaction of all of our liabilities and of the prior rights of any outstanding class of our preferred stock, which may include the right to participate further with the holders of our common stock in the distribution of any of our remaining assets.

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

***Transfer Agent and Registrar.*** Our shareholder services division serves as transfer agent and registrar for our common stock.

***Other Provisions.*** There are no redemption or sinking fund provisions applicable to our common stock. No personal liability will attach to holders of such shares under the laws of the State of Texas. Subject to the provisions of our articles of incorporation and bylaws imposing certain supermajority voting provisions, the rights of the holders of

shares of our common stock may not be modified except by a vote of at least a majority of the shares outstanding, voting together as a single class.

**Preferred Stock**

Our board of directors may cause us to issue preferred stock from time to time in one or more series and may fix the number of shares and the terms of each series without the approval of our shareholders. Our board of directors may determine the terms of each series, including:

the designation of the series,

dividend rates and payment dates,

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whether dividends will be cumulative, non-cumulative or partially cumulative, and related terms,  
redemption rights,  
liquidation rights,  
sinking fund provisions,  
conversion rights,  
voting rights, and  
any other terms.

The prospectus supplement relating to any series of preferred stock we are offering will include specific terms relating to the offering. We will file the form of the preferred stock with the SEC before we issue any of it, and you should read it for provisions that may be important to you. The prospectus supplement will include some or all of the following terms:

the title of the preferred stock,  
the maximum number of shares of the series,  
the dividend rate or the method of calculating the dividend, the date from which dividends will accrue and whether dividends will be cumulative,  
any liquidation preference,  
any optional redemption provisions,  
any sinking fund or other provisions that would obligate us to redeem or purchase the preferred stock,  
any terms for the conversion or exchange of the preferred stock for other securities of us or any other entity,  
any voting rights, and  
any other preferences and relative, participating, optional or other special rights or any qualifications, limitations or restrictions on the rights of the shares.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation. The issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an attempt to obtain control of us. For example, if, in the exercise of its fiduciary obligations, our board were to determine that a takeover proposal was not in our best interest, the board could authorize the issuance of a series of preferred stock containing class voting rights that would enable the holder or holders of the series to prevent or make the change of control transaction more difficult. Alternatively, a change of control transaction deemed by the board to be in our best interest could be facilitated by issuing a series of preferred stock having sufficient voting rights

to provide a required percentage vote of the shareholders.

For purposes of the rights plan described below, our board of directors has designated a series of preferred stock to constitute the Series A Preferred Stock. For a description of the rights plan, see [Anti-Takeover Effects of Texas Laws and Our Charter and Bylaw Provisions](#) and [Shareholder Rights Plan](#).

**Anti-Takeover Effects of Texas Laws and Our Charter and Bylaw Provisions**

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

acquisition of us by means of a tender offer,

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acquisition of control of us by means of a proxy contest or otherwise, or  
removal of our incumbent officers and directors.

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

***Charter and Bylaw Provisions***

*Election and Removal of Directors.* The exact number of members of our board of directors will be fixed from time to time by resolution of the board of directors. Members of our board of directors who were elected at or prior to the 2008 annual meeting of shareholders are assigned to one of three classes, with directors in each class serving for staggered three-year terms. However, this classified structure is being phased out. Beginning at our 2009 annual meeting of shareholders, all directors will be elected to one-year terms. Any director elected for a longer term before the 2009 annual meeting of shareholders, including the directors elected at our 2008 annual meeting to serve for terms expiring at our 2011 annual meeting, will hold office for his or her entire term. Accordingly, all of our directors will be elected annually beginning at our 2011 annual meeting of shareholders.

No director may be removed except for cause, and, subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, directors may be removed for cause only by the holders of a majority of the shares of capital stock entitled to vote at an election of directors. Subject to the voting rights expressly conferred under prescribed conditions to the holders of our preferred stock, any vacancy occurring on the board of directors and any newly created directorship may be filled by a majority of the remaining directors in office or by election by the shareholders.

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

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

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

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

make nominations in the election of directors,

propose that a director be removed,



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propose any repeal or change in the bylaws, or

propose any other business to be brought before an annual or special meeting of shareholders.

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

the shareholder's status as a shareholder,

the number of shares beneficially owned by the shareholder,

a list of the persons with whom the shareholder is acting in concert, and

the number of shares such persons beneficially own.

To be timely, a shareholder must deliver notice:

in connection with an annual meeting of shareholders, not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of shareholders was held; provided that if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the date on which the immediately preceding year's annual meeting of shareholders was held, not less than 180 days prior to the annual meeting and not later than the last to occur of (i) the 90th day prior to the annual meeting or (ii) the 10th day following the day on which we first make public announcement of the date of the annual meeting, or

in connection with the nomination of director candidates at a special meeting of shareholders, generally not less than 40 nor more than 60 days prior to the date of the special meeting.

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

In connection with a special meeting of shareholders, the only business that will be conducted is that stated in the notice of special meeting, or otherwise promptly brought before the meeting by or at the direction of the Chairman of the Meeting or the board of directors. Shareholders requesting a special meeting are permitted to make proposals for matters to be brought before the meeting in their request.

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

any breach of the director's duty of loyalty to us or our shareholders,

any act or omission not in good faith that constitutes a breach of duty of the director to the corporation or an act or omission that involves intentional misconduct or a knowing violation of law,

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

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

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

***Texas Anti-Takeover Law***

We are subject to Article 13.03 of the TBCA. That section prohibits Texas corporations from engaging in a wide range of specified transactions with any affiliated shareholder during the three-year period immediately

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following the affiliated shareholder's acquisition of shares in the absence of certain board of director or shareholder approvals. An affiliated shareholder of a corporation is any person, other than the corporation and any of its wholly owned subsidiaries, that is or was within the preceding three-year period the beneficial owner of 20% or more of the outstanding shares of stock entitled to vote generally in the election of directors. Article 13.03 may deter any potential unfriendly offers or other efforts to obtain control of us that are not approved by our board. This may deprive our shareholders of opportunities to sell shares of our common stock at a premium to the prevailing market price.

## **Shareholder Rights Plan**

Each share of our common stock includes one right to purchase from us a unit consisting of one one-thousandth of a share of our Series A Preferred Stock at a purchase price of \$42.50 per unit, subject to adjustment. The rights are issued pursuant to the Rights Agreement dated as of January 1, 2002 between us and JPMorgan Chase Bank (the Rights Agreement). We have summarized selected portions of the Rights Agreement and the rights below. This summary is qualified by reference to the Rights Agreement, a copy of which we have incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

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

ten days following a public announcement that a person or group of affiliated or associated persons, whom we refer to collectively as an acquiring person, has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of our common stock, or

ten business days following the start of a tender offer or exchange offer that would result in a person's becoming an acquiring person.

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

Until the release date:

common stock certificates will evidence the rights,

the rights will be transferable only with those certificates,

new common stock certificates will contain a notation incorporating the Rights Agreement by reference, and

the surrender for transfer of any common stock certificate will also constitute the transfer of the rights associated with the common stock represented by the certificate.

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

As soon as practicable after the release date, the rights agent will mail certificates representing the rights to holders of record of common stock as of the close of business on the release date. From that date on, only separate rights certificates will represent the rights. We will also issue rights with all shares of common stock issued prior to the release date. We will also issue rights with shares of common stock issued after the release date in connection with some employee benefit plans or upon conversion of some securities. Except as otherwise determined by our board of

directors, we will not issue rights with any other shares of common stock issued after the release date.

*Flip-in Event.* A flip-in event will occur under the Rights Agreement when a person becomes an acquiring person other than pursuant to a permitted offer or a flip-over event (as defined below). The Rights Agreement defines permitted offer as a tender or exchange offer for all outstanding shares of our common

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stock at a price and on terms that a majority of the independent directors of our board of directors determines to be fair to and otherwise in the best interests of us and the best interests of our shareholders.

If a flip-in event occurs, each right, other than any right that has become null and void as described below, will become exercisable to receive (in lieu of the shares of Series A Preferred Stock otherwise purchasable) the number of shares of common stock, or in certain circumstances, cash, property or other securities, which has a current market price equal to two times the exercise price of the right. Please refer to the Rights Agreement for the definition of current market price.

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

we are acquired or we acquire any person in a merger or other business combination transaction, other than specified mergers that follow a permitted offer, or

50% or more of our assets, cash flow or earning power is sold or transferred.

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

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

*Series A Preferred Stock.* After the release date, each right will entitle the holder to purchase a one one-thousandth share of our Series A Preferred Stock, which fraction will be essentially the economic equivalent of one share of common stock.

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

With some exceptions, we will not be required to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. The Rights Agreement also will not require us to issue fractional shares of Series A Preferred Stock that are not integral multiples of the specified fractional share and, in lieu thereof, we will make a cash adjustment based on the market price of the Series A Preferred Stock on the last trading date prior to the date of exercise. Pursuant to the Rights Agreement, we reserve the right to require prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, a number of rights must be exercised so that it will issue only whole shares of Series A Preferred Stock.

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

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

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*Substitution.* If we have an insufficient number of authorized but unissued shares of common stock available to permit an exercise or exchange of rights upon the occurrence of a flip-in event, we may substitute certain other types of property for common stock so long as the total value received by the holder of the rights is equivalent to the value of the common stock that the shareholder would otherwise have received. We may substitute cash, property, equity securities or debt, reduce the exercise price of the rights or use any combination of the foregoing.

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

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

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

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

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**DESCRIPTION OF STOCK PURCHASE CONTRACTS AND EQUITY UNITS**

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and obligating us to sell to the holders, a specified number of shares of common stock, preferred stock or other securities at a future date or dates. We may fix the price and number of securities subject to the stock purchase contracts at the time we issue the stock purchase contracts, or we may provide that the price and number of securities will be determined pursuant to a formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and our debt securities or debt obligations of third parties, including U.S. treasury securities, securing the obligations of the holders of the units to purchase the securities under the stock purchase contracts. We refer to these units as equity units. The stock purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner. The stock purchase contracts also may require us to make periodic payments to the holders of the equity units or vice versa, and those payments may be unsecured on some basis.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or equity units offered by such prospectus supplement. The description in the prospectus supplement will not necessarily be complete, and reference will be made to the stock purchase contracts or equity units, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or equity units, which will be filed with the SEC or otherwise incorporated by reference in our previous filings each time we issue stock purchase contracts or equity units. Certain material United States federal income tax considerations applicable to the equity units and the stock purchase contracts will also be discussed in the prospectus supplement.



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**HOLDING COMPANY STRUCTURE**

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, 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 debt securities. In addition, the debt securities 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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**PLAN OF DISTRIBUTION**

We may sell the offered securities in and outside the United States:

- through underwriters or dealers,
- directly to purchasers, including our affiliates,
- through agents, or
- through a combination of any of these methods.

The prospectus supplement will include the following information:

- the terms of the offering,
- the names of any underwriters or agents,
- the name or names of any managing underwriter or underwriters,
- the purchase price of the securities,
- the net proceeds to us from the sale of the securities,
- any delayed delivery arrangements,
- any underwriting discounts, commissions and other items constituting underwriters' compensation,
- any initial public offering price,
- any discounts or concessions allowed or reallocated or paid to dealers, and
- any commissions paid to agents.

**Sale Through Underwriters or Dealers**

If we use underwriters in the sale, the underwriters will acquire the securities for their own account. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be obligated to purchase all the offered securities if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate

short positions created in connection with the offering. The underwriters also may impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

If we use dealers in the sale of securities, we may sell the securities to them as principals. They may then resell those securities to the public at varying prices determined by the dealers at the time of resale. The dealers participating in any sale of the securities may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of these securities. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

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### **Direct Sales and Sales Through Agents**

We may sell the securities directly. In that event, no underwriters or agents would be involved. We may also sell the securities through agents we designate from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered securities, and we will describe any commissions payable by us to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

### **Delayed Delivery Contracts**

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

### **Remarketing**

We may offer and sell any of the offered securities in connection with a remarketing upon their purchase, in accordance with a redemption or repayment by their terms or otherwise by one or more remarketing firms acting as principals for their own accounts or as our agents. We will identify any remarketing firm, the terms of any remarketing agreement and the compensation to be paid to the remarketing firm in the prospectus supplement. Remarketing firms may be deemed underwriters under the Securities Act of 1933.

### **Derivative Transactions**

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third parties may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in these sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement or in a post-effective amendment to the registration statement of which this prospectus forms a part.

### **General Information**

We may have agreements with the remarketing firms, agents, dealers and underwriters to indemnify them against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments that the agents, dealers or underwriters may be required to make. Such firms, agents, dealers and underwriters may be customers of, engage in transactions with or perform services for us in the ordinary course of their businesses.

Each series of offered securities will be a new issue, and other than the common stock, which is listed on the New York Stock Exchange and the Chicago Stock Exchange, will have no established trading market. We may elect to list any series of offered securities on an exchange, but we are not obligated to do so. It is possible that one or more

underwriters may make a market in a series of offered securities. However, they will not be obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a liquid trading market for any of our offered securities will develop.

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**LEGAL MATTERS**

The validity of the securities described in this prospectus will be passed upon for us by Baker Botts L.L.P., Houston, Texas. Scott E. Rozzell, Esq., our Executive Vice President, General Counsel and Corporate Secretary, or Rufus S. Scott, our Senior Vice President, Deputy General Counsel and Assistant Corporate Secretary, may pass upon other legal matters for us. Any underwriters will be advised regarding issues relating to any offering by Dewey & LeBoeuf LLP.

**EXPERTS**

The consolidated financial statements and the related consolidated financial statement schedules, incorporated in this document by reference from our Annual Report on Form 10-K for the year ended December 31, 2007, and the effectiveness of our internal control over financial reporting, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion on the consolidated financial statements and include an explanatory paragraph regarding the adoption of new accounting standards related to defined benefit pension and other postretirement plans in 2006 and conditional asset retirement obligations in 2005, (2) express an unqualified opinion on the consolidated financial statement schedules and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), which are incorporated herein by reference. Such consolidated financial statements and consolidated financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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**PROSPECTUS**

**CenterPoint Energy Houston Electric, LLC  
1111 Louisiana  
Houston, Texas 77002  
(713) 207-1111**

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

**GENERAL MORTGAGE BONDS**

This prospectus relates to general mortgage bonds that we may offer from time to time. We will provide additional terms of the general mortgage bonds (the mortgage bonds) in one or more supplements to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you invest in the mortgage bonds. No person may use this prospectus to offer and sell the mortgage bonds unless a prospectus supplement accompanies this prospectus.

**Investing in the mortgage bonds involves risks. See Risk Factors on page 3 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is October 9, 2008.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we have filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Using this process, we may offer the mortgage bonds referred to in this prospectus in one or more offerings. Each time we use this prospectus to offer mortgage bonds, we will file a supplement to this prospectus with the SEC that will describe the specific terms of the offering and the mortgage bonds. The prospectus supplement may also add to, update or change the information contained in this prospectus. Before you invest, you should carefully read this prospectus, the applicable prospectus supplement and the information contained in the documents we refer to under the heading Where You Can Find More Information.

**You should rely only on the information contained or incorporated by reference in this prospectus, any prospectus supplement and any written communication from us or any underwriter specifying the final terms of a particular offering. We have not authorized anyone to provide you with different information. We are not making an offer of these mortgage bonds in any state where the offer is not permitted. You should not assume that the information contained in this prospectus, any prospectus supplement or any written communication from us or any underwriter specifying the final terms of a particular offering 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.**

The Bank of New York Mellon Trust Company, National Association, in its capacity as trustee for the mortgage bonds, has not participated in the preparation of this prospectus and assumes no responsibility for its content.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current 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 100 F Street, N.E., 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>. You can obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This prospectus, which includes information incorporated by reference (see Incorporation by Reference below), is part of a registration statement we have filed with the SEC relating to the mortgage bonds we may offer. 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 Internet site.

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**INCORPORATION BY REFERENCE**

We are incorporating by reference into this prospectus certain 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 mortgage bonds are sold:

Our Annual Report on Form 10-K for the year ended December 31, 2007,

Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2008 and June 30, 2008, and

Our Current Reports on Form 8-K filed on February 12, 2008, September 23, 2008 and October 8, 2008.

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 Houston Electric, LLC  
c/o CenterPoint Energy, Inc.  
Attn: Investor Relations  
P.O. Box 4567  
Houston, Texas 77210-4567  
(713) 207-6500

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**ABOUT CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

We provide electric transmission and distribution services to retail electric providers (REPs) serving approximately 2.0 million metered customers in a 5,000-square mile area of the Texas Gulf Coast that has a population of approximately 5.5 million people and includes Houston. We are an indirect wholly owned subsidiary of CenterPoint Energy, Inc. (CenterPoint Energy), a public utility holding company.

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

**RISK FACTORS**

Our business is influenced by many factors that are difficult to predict and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition. These risk factors include those described as such in the documents that are incorporated by reference in this prospectus (which risk factors are incorporated herein by reference), and could include additional uncertainties not presently known to us or that we currently do not consider material. Before making an investment decision, you should carefully consider these risks as well as any other information we include or incorporate by reference in this prospectus or include in any applicable prospectus supplement.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

In this prospectus, including the information we incorporate by reference, 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. You can generally identify our forward-looking statements by the words anticipate, believe, continue, could, estimate, expect, forecast, goal, intend, may, objective, plan, potential, should, will, or other similar words. We use the terms we and our in this section to mean CenterPoint Energy Houston Electric, LLC and its subsidiaries.

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 resolution of the true-up proceedings, including, in particular, the results of appeals to the courts regarding rulings obtained to date;

state and federal legislative and regulatory actions or developments, including deregulation or re-regulation of our business, environmental regulations, including regulations related to global climate change, and changes in or application of laws or regulations applicable to the various aspects of our business;

timely and appropriate rate actions and increases, allowing recovery of costs, including those associated with Hurricane Ike, and a reasonable return on investment;

industrial, commercial and residential growth in our service territory and changes in market demand and demographic patterns;

weather variations and other natural phenomena;

changes in interest rates or rates of inflation;

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commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;

actions by rating agencies;

non-payment for our services due to financial distress of our customers, including Reliant Energy, Inc. (RRI);

the ability of RRI and its subsidiaries to satisfy their other obligations to us, including indemnity obligations;

the outcome of litigation brought by or against us;

our ability to control costs;

the investment performance of CenterPoint Energy employee benefit plans;

our potential business strategies, including acquisitions or dispositions of assets or businesses, which we cannot assure will be completed or will have the anticipated benefits to us;

acquisitions and merger activities involving us, CenterPoint Energy or our competitors; and

other factors we discuss in Risk Factors in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2007 and other reports we file from time to time with the SEC that are incorporated herein by reference.

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

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratios of earnings to fixed charges for each of the periods indicated. The ratios were calculated pursuant to applicable rules of the SEC.

	2003	Year Ended December 31,			2007	Six Months Ended June 30, 2008
		2004	2005	2006		
Ratio of earnings to fixed charges	2.80	2.20	1.99	2.62	2.61	2.22(1)

- (1) We do not believe that the ratio for the six-month period is necessarily indicative of the ratios for the twelve-month periods due to the seasonal nature of our business.

**USE OF PROCEEDS**

Unless we inform you otherwise in the prospectus supplement, we anticipate using any net proceeds from the sale of the mortgage bonds offered by this prospectus for general corporate purposes. These purposes may include, but are not limited to:

- working capital,
- capital expenditures,
- acquisitions,
- the repayment or refinancing of debt securities, and
- loans or advances to our subsidiaries or CenterPoint Energy.

Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to the reduction of short-term indebtedness or borrowings under our revolving credit facility.

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**DESCRIPTION OF OUR GENERAL MORTGAGE BONDS**

The mortgage bonds that we may offer from time to time by this prospectus will be issued under our General Mortgage Indenture dated as of October 10, 2002, as amended and supplemented (the mortgage indenture), with The Bank of New York Mellon Trust Company, National Association (successor to JPMorgan Chase Bank), as trustee. The particular terms of any series of our mortgage bonds and the material provisions of the mortgage indenture will be described in the applicable prospectus supplement.

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**PLAN OF DISTRIBUTION**

We may sell the offered mortgage bonds in and outside the United States:

- through underwriters or dealers,
- directly to purchasers, including our affiliates,
- through agents, or
- through a combination of any of these methods.

The prospectus supplement will include the following information:

- the terms of the offering,
- the names of any underwriters or agents,
- the name or names of any managing underwriter or underwriters,
- the purchase price of the mortgage bonds,
- the net proceeds to us from the sale of the mortgage bonds,
- any delayed delivery arrangements,
- any underwriting discounts, commissions and other items constituting underwriters' compensation,
- any initial public offering price,
- any discounts or concessions allowed or reallocated or paid to dealers, and
- any commissions paid to agents.

**Sale Through Underwriters or Dealers**

If we use underwriters in the sale, the underwriters will acquire the mortgage bonds for their own account. The underwriters may resell the mortgage bonds from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer mortgage bonds to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the mortgage bonds will be subject to certain conditions, and the underwriters will be obligated to purchase all the offered mortgage bonds if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.



During and after an offering through underwriters, the underwriters may purchase and sell the mortgage bonds in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters also may impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered mortgage bonds sold for their account may be reclaimed by the syndicate if the offered mortgage bonds are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered mortgage bonds, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

If we use dealers in the sale of mortgage bonds, we may sell the mortgage bonds to them as principals. They may then resell those mortgage bonds to the public at varying prices determined by the dealers at the time of resale. The dealers participating in any sale of the mortgage bonds may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of these mortgage bonds. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

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### **Direct Sales and Sales Through Agents**

We may sell the mortgage bonds directly. In that event, no underwriters or agents would be involved. We may also sell the mortgage bonds through agents we designate from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered mortgage bonds, and we will describe any commissions payable by us to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the mortgage bonds directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of those mortgage bonds. We will describe the terms of any such sales in the prospectus supplement.

### **Delayed Delivery Contracts**

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase mortgage bonds from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

### **Remarketing**

We may offer and sell any of the offered mortgage bonds in connection with a remarketing upon their purchase, in accordance with a redemption or repayment by their terms or otherwise by one or more remarketing firms acting as principals for their own accounts or as our agents. We will identify any remarketing firm, the terms of any remarketing agreement and the compensation to be paid to the remarketing firm in the prospectus supplement. Remarketing firms may be deemed underwriters under the Securities Act of 1933.

### **Derivative Transactions**

We may enter into derivative transactions with third parties, or sell mortgage bonds not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell mortgage bonds covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third parties may use mortgage bonds pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use mortgage bonds received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in these sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement or in a post-effective amendment to the registration statement of which this prospectus forms a part.

### **General Information**

We may have agreements with the remarketing firms, agents, dealers and underwriters to indemnify them against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments that the agents, dealers or underwriters may be required to make. Such firms, agents, dealers and underwriters may be customers of, engage in transactions with or perform services for us in the ordinary course of their businesses.

Each series of offered mortgage bonds will be a new issue, and will have no established trading market. We may elect to list any series of offered mortgage bonds on an exchange, but we are not obligated to do so. It is possible that one or

more underwriters may make a market in a series of offered mortgage bonds. However, they will not be obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a liquid trading market for any of our offered mortgage bonds will develop.

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**LEGAL MATTERS**

The validity of the mortgage bonds described in this prospectus will be passed upon for us by Baker Botts L.L.P., Houston, Texas. Scott E. Rozzell, Esq., our Executive Vice President, General Counsel and Corporate Secretary, or Rufus S. Scott, our Senior Vice President, Deputy General Counsel and Assistant Corporate Secretary, may pass upon other legal matters for us. Any underwriters will be advised regarding issues relating to any offering by Dewey & LeBoeuf LLP.

**EXPERTS**

The consolidated financial statements and the related consolidated financial statement schedule, incorporated in this document by reference from our Annual Report on Form 10-K for the year ended December 31, 2007 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion on the consolidated financial statements and include an explanatory paragraph regarding the adoption of a new accounting standard related to conditional asset retirement obligations in 2005 and (2) express an unqualified opinion on the consolidated financial statement schedule), which are incorporated herein by reference. Such consolidated financial statements and consolidated financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. *Other Expenses of Issuance and Distribution.***

The following are the expenses in connection with the issuance and distribution of the securities being registered, other than underwriting fees and commissions. All such expenses other than the Securities and Exchange Commission registration fee and Financial Industry Regulatory Authority filing fee are estimates.

Securities and Exchange Commission registration fee	\$	*
Trustees and transfer agents fees and expenses		40,000
Printing and engraving fees and expenses		30,000
Accounting fees and expenses		275,000
Legal fees		700,000
Rating agency fees		870,000
Miscellaneous (including Listing fees, if applicable)		150,000
Total		*

\* Omitted because the registration fee is being deferred pursuant to Rule 456(b).

**Item 15. *Indemnification of Directors and Officers.*****CenterPoint Energy, Inc.**

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

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

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

**CenterPoint Energy Houston Electric, LLC**

Article 2.20 of the Texas Limited Liability Company Act and Article VIII of CenterPoint Houston's Limited Liability Company Regulations provide CenterPoint Houston with broad powers and authority to indemnify its member, managers and officers and to purchase and maintain insurance for such purposes. Pursuant to such statutory and Limited Liability Company Regulation provisions, CenterPoint Houston has purchased insurance against certain costs of indemnification that may be incurred by it and by its member, manager and officers.

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Additionally, Section 7.12 of CenterPoint Houston's Limited Liability Company Regulations provides that a manager of CenterPoint Houston is not liable to CenterPoint Houston or its member for monetary damages for breach of fiduciary duty as a manager, except that Section 7.12 does not eliminate or limit the liability of a manager for any acts or omissions that involve intentional misconduct, fraud or a knowing violation of law or for a distribution in violation of Texas law as a result of the willful or grossly negligent act or omission of the manager.

Section 7.12 also provides that any subsequent amendments to Texas statutes that further limit the liability of managers will inure to the benefit of the managers. Any repeal or modification of Section 7.12 shall not adversely affect any right of protection of a manager of CenterPoint Houston existing at the time of the repeal or modification.

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

**Item 16. Exhibits.**

The following is a list of all exhibits filed as a part of this Registration Statement on Form S-3, including those incorporated herein by reference.

<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
4.1**	CenterPoint Energy	Restated Articles of Incorporation of CenterPoint Energy, Inc.	Form 8-K of CenterPoint Energy, Inc. dated July 24, 2008	1-31447	3.1
4.2**	CenterPoint Energy	Amended and Restated Bylaws of CenterPoint Energy, Inc.	Form 8-K of CenterPoint Energy, Inc. dated July 24, 2008	1-31447	3.2
4.3**	CenterPoint Energy	Rights Agreement dated as of January 1, 2002 between CenterPoint Energy, Inc. and JPMorgan Chase Bank, as Rights Agent	Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001	1-31447	4.2
4.4**	CenterPoint Energy	Form of CenterPoint Energy, Inc. Stock Certificate	Registration Statement on Form S-4 of CenterPoint Energy, Inc.	333-69502	4.1
4.5**	CenterPoint Energy	Indenture, dated as of May 19, 2003, between CenterPoint Energy, Inc. and JPMorgan Chase Bank as trustee	Form 8-K of CenterPoint Energy, Inc. dated May 19, 2003	1-31447	4.1
4.6	CenterPoint Energy	Form of Junior Subordinated Indenture, between CenterPoint			

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		Energy, Inc. and The Bank of New York Mellon Trust Company, National Association as trustee			
4.7**	CenterPoint Houston	Articles of Conversion of Reliant Energy, Incorporated	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002	1-3187	3(a)



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<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
4.8**	CenterPoint Houston	Articles of Organization of CenterPoint Energy Houston Electric, LLC	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002	1-3187	3(b)
4.9**	CenterPoint Houston	Limited Liability Company Regulations of CenterPoint Energy Houston Electric, LLC	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002	1-3187	3(c)
4.10**	CenterPoint Houston	General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank as trustee	Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(1)
4.11**	CenterPoint Houston	Ninth Supplemental Indenture, dated November 12, 2002, to the General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank as trustee	Form 10-K for the year ended December 31, 2002	1-3187	4(k)(10)
5.1	CenterPoint Energy	Opinion of Baker Botts L.L.P.			
12.1**	CenterPoint Houston CenterPoint Energy	Computation of ratios of earnings to fixed charges for the twelve-month periods ended December 31, 2007, 2006, 2005, 2004 and 2003	Form 10-K for the year ended December 31, 2007	1-31447	12
12.2**	CenterPoint Energy	Computation of ratios of earnings to fixed charges for the six-month period ended June 30, 2008	Form 10-Q for the quarter ended June 30, 2008	1-31447	12
12.3**	CenterPoint Houston	Computation of ratios of earnings to fixed charges for the twelve-month periods ended December	Form 10-K for the year ended December 31, 2007	1-3187	12

31, 2007, 2006, 2005,  
2004 and 2003

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<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
12.4**	CenterPoint Houston	Computation of ratios of earnings to fixed charges for the six-month period ended June 30, 2008	Form 10-Q for the quarter ended June 30, 2008	1-3187	12
23.1	CenterPoint Energy	Consent of Deloitte & Touche LLP			
23.2	CenterPoint Houston	Consent of Deloitte & Touche LLP			
23.3	CenterPoint Energy	Consent of Baker Botts L.L.P. (included in Exhibit 5.1)			
24.1	CenterPoint Houston CenterPoint Energy	Powers of Attorney (included on the signature page of this registration statement)			
24.2	CenterPoint Houston	Powers of Attorney (included on the signature page of this registration statement)			
25.1	CenterPoint Energy	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the Indenture on Form T-1			
25.2	CenterPoint Energy	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the Junior Subordinated Indenture on Form T-1			
25.3	CenterPoint Houston	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the General Mortgage Indenture on Form T-1			

\* CenterPoint Energy or CenterPoint Houston, as applicable, will file as an exhibit to a Current Report on Form 8-K (i) any underwriting, remarketing or agency agreement relating to securities offered hereby, (ii) the

instruments setting forth the terms of any debt securities, including mortgage bonds, preferred stock, stock purchase contracts or equity units, (iii) any additional required opinions of counsel with respect to legality of the securities offered hereby and (iv) any required opinion of counsel as to certain tax matters relative to securities offered hereby.

\*\* Incorporated herein by reference as indicated.

**Item 17. *Undertakings.***

Each of the undersigned registrants hereby undertakes:

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

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

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

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*provided, however*, that paragraphs (1)(i), (1)(ii) and (1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by such registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

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

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

(4) that, for purposes of determining liability under the Securities Act of 1933 to any purchaser:

(A) each prospectus filed by such registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date;

(5) that, for the purpose of determining liability of such registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, such undersigned registrant undertakes that in a primary offering of securities of such undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are



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offered or sold to such purchaser by means of any of the following communications, such undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) any preliminary prospectus or prospectus of such undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) any free writing prospectus relating to the offering prepared by or on behalf of such undersigned registrant or used or referred to by such undersigned registrant;
- (iii) the portion of any other free writing prospectus relating to the offering containing material information about such undersigned registrant or its securities provided by or on behalf of such undersigned registrant; and
- (iv) any other communication that is an offer in the offering made by such undersigned registrant to the purchaser.

Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of such registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of such registrant pursuant to the provisions set forth in Item 15, or otherwise, each such registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by such registrant of expenses incurred or paid by a director, officer or controlling person of such registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, such registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Houston, State of Texas, on October 8, 2008.

CENTERPOINT ENERGY, INC.  
(registrant)

By: /s/ David M. McClanahan

Name: David M. McClanahan

Title: President and Chief Executive Officer

**KNOW ALL MEN BY THESE PRESENTS**, that each person whose signature appears below constitutes and appoints Gary L. Whitlock, David M. McClanahan and Rufus S. Scott, and each of them severally, his or her true and lawful attorney or attorneys-in-fact and agents, with full power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in any and all capacities, any or all amendments (including pre-effective and post-effective amendments) to this Registration Statement and any registration statement for the same offering filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them full power and authority, to do and perform in the name and on behalf of the undersigned, in any and all capacities, each and every act and thing necessary or desirable to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying, approving and confirming all that said attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ David M. McClanahan	President, Chief Executive Officer and Director	October 8, 2008
David M. McClanahan	(Principal Executive Officer)	
/s/ Gary L. Whitlock	Executive Vice President and Chief Financial Officer	October 8, 2008
Gary L. Whitlock	(Principal Financial Officer)	
/s/ Walter L. Fitzgerald	Senior Vice President and Chief Accounting Officer	October 8, 2008
Walter L. Fitzgerald	(Principal Accounting Officer)	
/s/ Donald R. Campbell	Director	October 8, 2008
Donald R. Campbell		



/s/ Milton Carroll

Director

October 8, 2008

Milton Carroll

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<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Derrill Cody Derrill Cody	Director	October 8, 2008
/s/ O. Holcombe Crosswell O. Holcombe Crosswell	Director	October 8, 2008
/s/ Michael P. Johnson Michael P. Johnson	Director	October 8, 2008
/s/ Janiece M. Longoria Janiece M. Longoria	Director	October 8, 2008
/s/ Thomas F. Madison Thomas F. Madison	Director	October 8, 2008
/s/ Robert T. O Connell Robert T. O Connell	Director	October 8, 2008
/s/ Susan O. Rheney Susan O. Rheney	Director	October 8, 2008
/s/ Michael E. Shannon Michael E. Shannon	Director	October 8, 2008
/s/ Peter S. Wareing Peter S. Wareing	Director	October 8, 2008
/s/ Sherman M. Wolff Sherman M. Wolff	Director	October 8, 2008

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Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Houston, State of Texas, on October 8, 2008.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC.  
(registrant)

By: /s/ David M. McClanahan

Name: David M. McClanahan

Title: Manager

**KNOW ALL MEN BY THESE PRESENTS**, that each person whose signature appears below constitutes and appoints Gary L. Whitlock, David M. McClanahan and Rufus S. Scott, and each of them severally, his or her true and lawful attorney or attorneys-in-fact and agents, with full power to act with or without the others and with full power of substitution and resubstitution, to execute in his name, place and stead, in any and all capacities, any or all amendments (including pre-effective and post-effective amendments) to this Registration Statement and any registration statement for the same offering filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them full power and authority, to do and perform in the name and on behalf of the undersigned, in any and all capacities, each and every act and thing necessary or desirable to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying, approving and confirming all that said attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ David M. McClanahan David M. McClanahan	Manager and Chairman (Principal Executive Officer and Manager)	October 8, 2008
/s/ Gary L. Whitlock Gary L. Whitlock	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	October 8, 2008
/s/ Walter L. Fitzgerald Walter L. Fitzgerald	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	October 8, 2008

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<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
4.1**	CenterPoint Energy	Restated Articles of Incorporation of CenterPoint Energy, Inc.	Form 8-K of CenterPoint Energy, Inc. dated July 24, 2008	1-31447	3.1
4.2**	CenterPoint Energy	Amended and Restated Bylaws of CenterPoint Energy, Inc.	Form 8-K of CenterPoint Energy, Inc. dated July 24, 2008	1-31447	3.2
4.3**	CenterPoint Energy	Rights Agreement dated as of January 1, 2002 between CenterPoint Energy, Inc. and JPMorgan Chase Bank, as Rights Agent	Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2001	1-31447	4.2
4.4**	CenterPoint Energy	Form of CenterPoint Energy, Inc. Stock Certificate	Registration Statement on Form S-4 of CenterPoint Energy, Inc.	333-69502	4.1
4.5**	CenterPoint Energy	Indenture, dated as of May 19, 2003, between CenterPoint Energy, Inc. and JPMorgan Chase Bank as trustee	Form 8-K of CenterPoint Energy, Inc. dated May 19, 2003	1-31447	4.1
4.6	CenterPoint Energy	Form of Junior Subordinated Indenture, between CenterPoint Energy, Inc. and The Bank of New York Mellon Trust Company, National Association as trustee			
4.7**	CenterPoint Houston	Articles of Conversion of Reliant Energy, Incorporated	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002	1-3187	3(a)
4.8**	CenterPoint Houston	Articles of Organization of CenterPoint Energy Houston Electric, LLC	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002	1-3187	3(b)
4.9**	CenterPoint Houston			1-3187	3(c)

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		Limited Liability Company Regulations of CenterPoint Energy Houston Electric, LLC	Form 8-K of CenterPoint Energy Houston Electric, LLC dated August 31, 2002		
4.10**	CenterPoint Houston	General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank as trustee	Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(1)

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<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
4.11**	CenterPoint Houston	Ninth Supplemental Indenture, dated November 12, 2002, to the General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank as trustee	Form 10-K for the year ended December 31, 2002	1-3187	4(k)(10)
5.1	CenterPoint Energy	Opinion of Baker Botts L.L.P.			
12.1**	CenterPoint Houston CenterPoint Energy	Computation of ratios of earnings to fixed charges for the twelve-month periods ended December 31, 2007, 2006, 2005, 2004 and 2003	Form 10-K for the year ended December 31, 2007	1-31447	12
12.2**	CenterPoint Energy	Computation of ratios of earnings to fixed charges for the six-month period ended June 30, 2008	Form 10-Q for the quarter ended June 30, 2008	1-31447	12
12.3**	CenterPoint Houston	Computation of ratios of earnings to fixed charges for the twelve-month periods ended December 31, 2007, 2006, 2005, 2004 and 2003	Form 10-K for the year ended December 31, 2007	1-3187	12
12.4**	CenterPoint Houston	Computation of ratios of earnings to fixed charges for the six-month period ended June 30, 2008	Form 10-Q for the quarter ended June 30, 2008	1-3187	12
23.1	CenterPoint Energy	Consent of Deloitte & Touche LLP			
23.2	CenterPoint Houston	Consent of Deloitte & Touche LLP			
23.3	CenterPoint Houston	Consent of Baker Botts L.L.P. (included in Exhibit 5.1)			
24.1	CenterPoint Energy CenterPoint Energy				

Powers of Attorney  
(included on the  
signature page of this  
registration statement)

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<b>Exhibit Number</b>	<b>Registrant</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>Registration Number</b>	<b>Exhibit Reference</b>
24.2	CenterPoint Houston	Powers of Attorney (included on the signature page of this registration statement)			
25.1	CenterPoint Energy	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the Indenture on Form T-1			
25.2	CenterPoint Energy	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the Junior Subordinated Indenture on Form T-1			
25.3	CenterPoint Houston	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of the Trustee under the General Mortgage Indenture on Form T-1			

\* CenterPoint Energy or CenterPoint Houston, as applicable, will file as an exhibit to a Current Report on Form 8-K (i) any underwriting, remarketing or agency agreement relating to securities offered hereby, (ii) the instruments setting forth the terms of any debt securities, including mortgage bonds, preferred stock, stock purchase contracts or equity units, (iii) any additional required opinions of counsel with respect to legality of the securities offered hereby and (iv) any required opinion of counsel as to certain tax matters relative to securities offered hereby.

\*\* Incorporated herein by reference as indicated.