# UTAH POWER & LIGHT COMPANY

1407 WEST NORTH TEMPLE
SALT LAKE CITY, UTAH 84140
(801) 535-4200

JOHN A. LINDQUIST, SR.
CHAIRMAN OF THE BOARD

October 29, 1987

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders on December 15, 1987. Details as to the time and place of meeting are set forth in the accompanying Notice of Special Meeting.

The purpose of the meeting is to consider and vote upon a proposal to approve an Agreement and Plan of Reorganization and Merger pursuant to which Utah Power & Light Company and PacifiCorp, a Maine Corporation, will be merged with and into PC/UP&L Merging Corp. (to be renamed PacifiCorp), an Oregon Corporation. There are no other matters known to management or the Board of Directors that will be presented at the meeting.

A detailed explanation of the merger and reorganization, and terms and conditions applicable thereto, is contained in the enclosed joint proxy statement/prospectus. The merger requires the approval of the Company's shareholders, PacifiCorp's shareholders, regulatory commissions in seven states and a federal agency. Applications for these regulatory and agency approvals have been filed and are pending.

The Company's Board of Directors and management unanimously recommend approval of the proposed merger. The merger is expected to provide benefits that will enhance value to shareholders, facilitate rate reductions and rate stabilization for the Company's customers, provide for more efficient utilization of existing generation and transmission capacity, defer construction expenditures for new resources, and more favorably position the combined company to effectively conduct electric utility operations in an increasingly competitive business environment.

It is important that you complete, sign and return the enclosed proxy card at your earliest convenience, even if you plan to attend the meeting in person. For those attending the meeting, validated parking will be available in the parking structure located immediately south and adjacent to the Salt Palace or the Crossroads Mall Parking Terrace.

Very truly yours,

John Lindquist

JOHN A. LINDQUIST
*Chairman of the Board*

JOINT PROXY STATEMENT/PROSPECTUS

# PACIFICORP,
# UTAH POWER & LIGHT COMPANY
and
# PC/UP&L MERGING CORP.
(To Be Renamed PacifiCorp)

**56,418,463 Shares of Common Stock, $3.25 Par Value**
**2,000,000 Shares of No Par Serial Preferred Stock**

**Special Meetings of Shareholders to be held December 15, 1987**

This Joint Proxy Statement/Prospectus and the accompanying proxy are being furnished to shareholders of PacifiCorp, a Maine corporation (PacifiCorp), and Utah Power & Light Company, a Utah corporation (UP&L), in connection with the solicitation of proxies by the Boards of Directors of PacifiCorp and UP&L. The proxies will be voted at special meetings of the shareholders of PacifiCorp and UP&L to be held on December 15, 1987, and any postponements or adjournments of such meetings. The purpose of the special meetings is to consider and vote on a proposal to approve the Agreement and Plan of Reorganization and Merger dated August 12, 1987, as amended (Merger Agreement), which is attached as Appendix A to this Joint Proxy Statement/Prospectus. The Merger Agreement provides for a merger (Merger) of PacifiCorp and UP&L with and into PC/UP&L Merging Corp. (Merging Corp.), an Oregon corporation that was recently incorporated to facilitate consummation of the Merger and effect the change of PacifiCorp's state of incorporation from Maine to Oregon. PacifiCorp shareholders will also be asked to consider and vote on a proposal to approve an Agreement and Plan of Reincorporation and Merger dated October 14, 1987 (Reincorporation Agreement) pursuant to which PacifiCorp alone would be merged with and into Merging Corp. (Reincorporation) in the event the Merger Agreement is terminated for any reason, including the failure to obtain necessary shareholder or regulatory approvals. The name of Merging Corp. will be changed to PacifiCorp in the Merger or the Reincorporation.

In the Merger or the Reincorporation, outstanding shares of PacifiCorp common and preferred stock will be converted into shares of Merging Corp. common and preferred stock on a one-for-one basis. In the Merger, each outstanding UP&L common share will be converted into that fraction of a share of Merging Corp. common stock determined by a conversion formula in the Merger Agreement based on the market price of PacifiCorp Common Stock prior to the Merger. The fraction will generally be between .909 and .957, but may be higher or lower depending on the market price of PacifiCorp Common Stock prior to the Merger and actions of the Boards of Directors of PacifiCorp, UP&L and Merging Corp. Each UP&L preferred share, except shares for which dissenters' rights have been perfected, will be converted into one share of Merging Corp. No Par Serial Preferred Stock. See "THE MERGER—Conversion Ratios." The Articles of Incorporation of Merging Corp. will be amended and restated to conform them generally to the current PacifiCorp Restated Articles of Incorporation, as amended, with certain changes discussed in "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp." A vote to approve the Merger Agreement and/or the Reincorporation Agreement will have the effect of approving the Merging Corp. Restated Articles of Incorporation.

This Joint Proxy Statement/Prospectus also serves as the prospectus of Merging Corp. with respect to the shares of its common and preferred stock to be issued to shareholders of UP&L in the Merger. The prospectus is part of a Registration Statement on Form S-4 filed by Merging Corp. with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. See "AVAILABLE INFORMATION."

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

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The date of this Joint Proxy Statement/Prospectus is October 29, 1987. This Joint Proxy Statement/Prospectus and the enclosed form of proxy are first being mailed to PacifiCorp shareholders on or about November 3, 1987 and UP&L shareholders on or about November 9, 1987.

**No person is authorized to give any information or to make any representation other than those contained in this Joint Proxy Statement/Prospectus, and if given or made, such information or representation should not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell, or solicitation of an offer to purchase, the securities offered by this Joint Proxy Statement/Prospectus, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer, or proxy solicitation in such jurisdiction. Neither the delivery of this Joint Proxy Statement/ Prospectus nor any distribution of the securities pursuant to this Joint Proxy Statement/Prospectus shall, under any circumstances, create an implication that there has been no change in the information set forth herein or in the affairs of PacifiCorp, UP&L or Merging Corp. since the date of this Joint Proxy Statement/Prospectus. All information about PacifiCorp and Merging Corp. in this Joint Proxy Statement/Prospectus has been supplied by PacifiCorp, and all information about UP&L has been supplied by UP&L.**

This Joint Proxy Statement/Prospectus is being distributed in Great Britain by County NatWest Securities Limited on behalf of PacifiCorp and UP&L.

## AVAILABLE INFORMATION

PacifiCorp and UP&L are subject to the informational requirements of the Securities Exchange Act of 1934 (Exchange Act) and accordingly file reports, proxy statements and other information with the Securities and Exchange Commission (Commission). Such material is available for inspection and copying at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at the Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604, and at the Jacob K. Javits Building, 26 Federal Plaza, New York, New York 10278. Copies of such material may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, such material and other information concerning PacifiCorp and UP&L can be inspected and copied at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104, on which exchanges the common stocks of PacifiCorp and UP&L are listed.

Merging Corp. has filed a Registration Statement on Form S-4 with the Commission with respect to certain shares to be issued in connection with the Merger. This Joint Proxy Statement/Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. The Registration Statement and any amendments thereto, including exhibits filed as a part thereof, are available for inspection and copying as set forth above.

## INCORPORATION BY REFERENCE

**This Joint Proxy Statement/Prospectus incorporates certain documents by reference which are not presented herein or delivered herewith. These documents are available upon request from, in the case of PacifiCorp and Merging Corp., Office of the Corporate Secretary, 1600 Pacific First Federal Center, 851 SW Sixth Avenue, Portland, Oregon 97204, (800) 338-9823, and, in the case of UP&L, Shareholder Services Department, 1407 West North Temple Street, Salt Lake City, Utah 84140, (801) 220-4131. In order to ensure timely delivery of these documents, any request should be made by December 8, 1987.**

PacifiCorp, UP&L and Merging Corp. hereby undertake to provide without charge to each person, including any beneficial owner, to whom a copy of this Joint Proxy Statement/Prospectus has been delivered, upon the written or oral request of any such person, a copy of any and all of the documents referred to below which have been or may be incorporated by reference herein, other than exhibits to such documents. Requests for such documents should be directed to the offices indicated above.

The following documents, which have been filed with the Commission pursuant to the Exchange Act, are hereby incorporated by reference:

1. *PacifiCorp.*

(a) PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 1986;

(b) PacifiCorp's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1987 and June 30, 1987;

(c) PacifiCorp's Current Reports on Form 8-K dated May 7, 1987 and June 4, 1987; and

(d) PacifiCorp's Proxy Statement for its 1987 Annual Meeting of Stockholders.

2. *UP&L.*

(a) UP&L's Annual Report on Form 10-K for the year ended December 31, 1986;

(b) UP&L's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1987 and June 30, 1987;

(c) UP&L's Current Reports on Form 8-K dated May 12, 1987, May 27, 1987 and July 29, 1987; and

(d) UP&L's Proxy Statement for its 1987 Annual Meeting of Shareholders.

The information relating to PacifiCorp and UP&L contained in this Joint Proxy Statement/Prospectus does not purport to be comprehensive and should be read together with the information in the documents incorporated by reference.

All documents filed by PacifiCorp, UP&L or Merging Corp. pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the date of the special meetings of the shareholders of PacifiCorp and UP&L to be held on December 15, 1987, and any and all adjournments thereof, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents. All information appearing in this Joint Proxy Statement/Prospectus is qualified in its entirety by the information and financial statements (including notes thereto) appearing in the documents incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Joint Proxy Statement/Prospectus to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Joint Proxy Statement/Prospectus.

## TABLE OF CONTENTS

## SUMMARY

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Joint Proxy Statement/Prospectus or incorporated by reference herein.*

### General

The shareholders of PacifiCorp and UP&L are being asked to consider and vote upon a proposal to approve the Merger Agreement, pursuant to which PacifiCorp and UP&L will merge with and into Merging Corp. Shareholders of PacifiCorp are also being asked to consider and vote upon a proposal to approve the Reincorporation Agreement, pursuant to which PacifiCorp alone would be merged with and into Merging Corp. in the event the Merger Agreement is terminated for any reason. Simultaneously with the Merger or the Reincorporation, the Articles of Incorporation of Merging Corp. will be amended and restated to change the name of Merging Corp. to PacifiCorp and to conform them generally to the current PacifiCorp Restated Articles of Incorporation, as amended, with certain changes discussed in "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp." When the Merger becomes effective, each outstanding share of the common and preferred stock of PacifiCorp and UP&L will be automatically converted into shares of Merging Corp. on the basis, terms and conditions set forth below under "THE MERGER—Conversion Ratios." If only the Reincorporation occurs, each outstanding share of common and preferred stock of PacifiCorp will be automatically converted into shares of Merging Corp. common and preferred stock on a one-for-one basis, as set forth under "THE REINCORPORATION." Holders of certificates for UP&L stock will be required to surrender their certificates before they will be entitled to receive payment of Merging Corp. dividends held for their account. Holders of PacifiCorp stock will not be required to surrender their certificates in either the Merger or the Reincorporation.

### The Parties

**PacifiCorp**

PacifiCorp is a diversified enterprise headquartered at 1600 Pacific First Federal Center, 851 SW Sixth Avenue, Portland, Oregon 97204, (503) 464-6000. PacifiCorp conducts its electric utility operations under the name "Pacific Power & Light Company" in the States of Oregon, Wyoming, Washington, California, Montana and Idaho. PacifiCorp also engages in the telecommunications, mining and resource development and financial services businesses through subsidiary companies. See "INFORMATION CONCERNING PACIFICORP."

**UP&L**

UP&L is an electric utility with its principal executive offices located at 1407 West North Temple Street, Salt Lake City, Utah, 84140, (801) 220-2000. UP&L conducts its electric utility operations in the States of Utah, Idaho and Wyoming. See "INFORMATION CONCERNING UP&L."

**Merging Corp.**

Merging Corp. is an Oregon corporation with its principal executive offices located at 1600 Pacific First Federal Center, 851 SW Sixth Avenue, Portland, Oregon 97204, (503) 464-6000. Merging Corp. was incorporated by PacifiCorp as a wholly owned subsidiary on August 11, 1987 to facilitate consummation of the Merger and effect the change of PacifiCorp's state of incorporation from Maine to Oregon. Renamed PacifiCorp, Merging Corp. will be the surviving corporation in the Merger or the Reincorporation. See "OPERATIONS AFTER THE MERGER." It is not expected that Merging Corp. will conduct any business prior to the Merger or the Reincorporation, except as contemplated by the Merger Agreement or the Reincorporation Agreement. See "INFORMATION CONCERNING MERGING CORP."

## Shareholder Meetings

### PacifiCorp

A Special Meeting of Shareholders of PacifiCorp (PacifiCorp Meeting) will be held at 9:00 a.m., local time, on Tuesday, December 15, 1987 at the auditorium in the Public Service Building, 920 SW Sixth Avenue, Portland, Oregon to consider and vote upon proposals to approve the Merger Agreement and the Reincorporation Agreement. All holders of record of shares of PacifiCorp Common Stock, $3.25 par value (PacifiCorp Common Stock), and shares of PacifiCorp 5% Preferred Stock, $100 par value (5% Preferred Stock), Serial Preferred Stock, $100 par value (Serial Preferred Stock), and No Par Serial Preferred Stock (No Par Serial Preferred Stock) (collectively, PacifiCorp Preferred Stock) at the close of business on October 26, 1987 will be entitled to notice of and to vote at the PacifiCorp Meeting. The affirmative vote of the holders of a majority of the votes entitled to be cast by the PacifiCorp Common Stock, 5% Preferred Stock, Serial Preferred Stock and No Par Serial Preferred Stock (each voting as a separate class) is necessary to approve the Merger Agreement and the Reincorporation Agreement. As of September 30, 1987, PacifiCorp's directors, officers and their affiliates as a group held shares representing less than 0.2 percent of the votes entitled to be cast by each of the respective classes of PacifiCorp capital stock. See "MEETING INFORMATION—Record Date; Shareholders Entitled to Vote" and "—Required Vote."

### UP&L

A Special Meeting of Shareholders of UP&L (UP&L Meeting) will be held at 2:00 p.m., local time, on Tuesday, December 15, 1987 in the Assembly Hall, Salt Lake County Civic Auditorium, "Salt Palace," 100 South West Temple Street, Salt Lake City, Utah, to consider and vote upon a proposal to approve the Merger Agreement. All holders of record of shares of UP&L Common Stock, $6.40 par value (UP&L Common Stock), and UP&L Preferred Stock, $25 par value (UP&L Preferred Stock), at the close of business on November 2, 1987 will be entitled to notice of and to vote at the UP&L Meeting. The affirmative vote of the holders of a majority of the outstanding shares of UP&L Common Stock and a majority of the outstanding shares of UP&L Preferred Stock is required to approve the Merger Agreement. As of September 30, 1987, UP&L's directors, officers and their affiliates as a group held less than 0.1 percent of each class of UP&L capital stock. See "MEETING INFORMATION—Record Date; Shareholders Entitled to Vote" and "—Required Vote." Dissenters' rights are available to holders of UP&L Preferred Stock. See "RIGHTS OF DISSENTING SHAREHOLDERS" and Appendix D to this Joint Proxy Statement/Prospectus.

## The Merger

### General

At the time the Merger becomes effective, PacifiCorp and UP&L will be merged with and into Merging Corp., which will succeed by operation of law to the assets, liabilities and operations of PacifiCorp and UP&L. Renamed PacifiCorp, Merging Corp. will continue the combined operations of PacifiCorp and UP&L with their existing managements. The Merger will also have the effect of changing PacifiCorp's state of incorporation from Maine to Oregon.

### Conversion of Shares

At the time the Merger becomes effective, each share of PacifiCorp Common and Preferred Stock and UP&L Common and Preferred Stock outstanding immediately prior to the Merger will be converted into Common Stock or Preferred Stock of Merging Corp. as follows:

(a) each share of PacifiCorp Common Stock will be converted into one share of Merging Corp. Common Stock, $3.25 par value (Merging Corp. Common Stock);

(b) each share of PacifiCorp Preferred Stock will be converted into one share of that class or series of Merging Corp. Preferred Stock bearing the same name and generally having the same rights and preferences as the share of PacifiCorp Preferred Stock being converted;

(c) each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as determined by the following formula based on the average closing price of PacifiCorp Common Stock on the New York Stock Exchange Composite Tape for the 10 trading days (Computation Period) immediately following the date on which the last of the conditions to the Merger has been fulfilled or waived (PacifiCorp Closing Price):

(i) if the PacifiCorp Closing Price is more than $41.804, each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $38 by the PacifiCorp Closing Price;

(ii) if the PacifiCorp Closing Price is more than $35.475 but equal to or less than $41.804, each share of UP&L Common Stock will be converted into .909 shares of Merging Corp. Common Stock;

(iii) if the PacifiCorp Closing Price is equal to or less than $35.475 but more than $33.70, each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price;

(iv) if the PacifiCorp Closing Price is equal to or less than $33.70, each share of UP&L Common Stock will be converted into .957 shares of Merging Corp. Common Stock, provided that if the PacifiCorp Closing Price is equal to or less than $33.70, UP&L, through its Board of Directors, may elect to terminate the Merger Agreement unless PacifiCorp and Merging Corp., through their Boards of Directors, agree that each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price; and

(d) each share of UP&L Preferred Stock, except shares for which dissenters' rights have been perfected, will be converted into one share of that series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate and generally having the same rights and preferences as the share of UP&L Preferred Stock that is converted, except as described under "COMPARISON OF SHAREHOLDER RIGHTS" and "MERGING CORP. CAPITAL STOCK."

**Reasons for the Merger**

The Boards of Directors and managements of PacifiCorp and UP&L believe that the Merger will enable the combined company to achieve increased financial strength, greater efficiencies of operation and reductions in requirements for future generating capacity. Benefits for shareholders and customers of both companies are anticipated from, among other things, the complementary locations of the companies' service territories, the compatibility of their seasonal demand peaks and the combination of PacifiCorp's low-cost surplus power from the Northwest and UP&L's access to markets for such power in the Southwest. The Board of Directors of UP&L also believes that the Merger will provide UP&L common shareholders with the opportunity to obtain for their shares a premium over existing market values. See "THE MERGER—Background of and Reasons for the Merger; Recommendations of the Boards of Directors." The Boards of Directors and managements of PacifiCorp and UP&L also believe that the change of PacifiCorp's state of incorporation from Maine to Oregon will provide benefits to the combined company as described under "INFORMATION CONCERNING MERGING CORP.—Role of Merging Corp. in the Merger."

**Recommendations of the Boards of Directors**

The Board of Directors of PacifiCorp believes the Merger is in the best interests of PacifiCorp and its shareholders and unanimously recommends that PacifiCorp shareholders vote FOR approval of the Merger Agreement. The Board of Directors of UP&L believes the Merger is in the best interests of UP&L and its shareholders and unanimously recommends that UP&L shareholders vote FOR approval of the Merger Agreement. See "THE MERGER—Background of and Reasons for the Merger; Recommendations of the Boards of Directors."

**Conditions to the Merger; Regulatory Approvals**

The obligation of each of PacifiCorp and UP&L to consummate the Merger is subject to the satisfaction of certain conditions, including but not limited to compliance with federal antitrust regulatory requirements and the approval of the Merger by the Federal Energy Regulatory Commission, the public utility regulatory authorities of the States of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming, and the shareholders of PacifiCorp and UP&L. Although PacifiCorp and UP&L believe that the regulatory approvals will be obtained by mid-1988 after the Special Meetings have been held, the timing of receipt of these approvals cannot be predicted with certainty. Market fluctuations in the price of PacifiCorp Common Stock after the Special Meetings will affect the conversion ratio applicable to the UP&L Common Stock. During the period between the date of the Special Meetings and the time the Merger becomes effective, the Boards of Directors of PacifiCorp and UP&L may waive or modify certain conditions of the Merger and may terminate the Merger in accordance with the terms of the Merger Agreement. See "THE MERGER—Conversion Ratios," "—Conditions," "—Regulatory Filings and Approvals" and "—Amendment and Termination."

**Rights to Terminate, Amend or Waive Conditions**

The Merger Agreement may be terminated by mutual consent of the Boards of Directors of PacifiCorp and UP&L prior to consummation of the Merger and by either PacifiCorp or UP&L if the Merger has not been consummated on or before August 12, 1988, or in certain other situations including the failure to obtain the requisite vote of shareholders, the inability to obtain any required regulatory approval, or the issuance of a final and nonappealable order, judgment, or decree restraining or enjoining the Merger. In addition, the Board of Directors of UP&L may elect to terminate the Merger Agreement if the PacifiCorp Closing Price is $33.70 or less, unless the Boards of Directors of PacifiCorp and Merging Corp. agree that the holders of UP&L Common Stock shall receive additional shares of Merging Corp. Common Stock, as described under "THE MERGER—Conversion Ratios." The Merger Agreement may be amended, modified or supplemented at any time prior to or at the closing of the Merger by written agreement approved by the Boards of Directors of PacifiCorp, UP&L and Merging Corp., except that after approval of the Merger Agreement by shareholders of PacifiCorp and UP&L, no such amendment, modification or supplement may be made which in any way materially adversely affects the rights of any class of shareholders without a further vote by the affected shareholders to approve such amendment, modification or supplement. Any party may waive any unsatisfied condition to its obligation to consummate the Merger in whole or in part to the extent permitted by applicable law. See "THE MERGER—Conditions" and "—Amendment and Termination."

**Operations After the Merger**

Renamed PacifiCorp, Merging Corp. will continue the businesses of PacifiCorp and UP&L with their existing managements. Under the terms of the Merger Agreement, Merging Corp. has agreed to operate the business formerly conducted by UP&L as a division of Merging Corp. under the name "Utah Power & Light Company" (UP&L Division) and to maintain UP&L Division headquarters in Salt Lake City, Utah. A committee of the Board of Directors of Merging Corp. will be formed to oversee the UP&L Division. It is currently anticipated that the President of Pacific Power & Light Company (Pacific Power Division or Pacific Power) will serve on the committee and that each member of the UP&L Board of Directors immediately prior to the Merger will be afforded an opportunity to serve as a member of such committee. The Board committee will have delegated authority and responsibility with respect to the UP&L Division similar to that delegated to an existing committee of the PacifiCorp Board of Directors with respect to Pacific Power. See "INFORMATION CONCERNING MERGING CORP." and "OPERATIONS AFTER THE MERGER."

**[redacted]nions of Financial Advisers**

The First Boston Corporation (First Boston) has delivered to the Board of Directors of PacifiCorp a written opinion dated October 29, 1987 to the effect that, as of the date thereof, the ratios for conversion of PacifiCorp Common Stock and UP&L Common Stock into Merging Corp. Common Stock are fair to the PacifiCorp shareholders from a financial point of view. Kidder, Peabody & Co. Incorporated (Kidder, Peabody) has delivered to the Board of Directors of UP&L a written opinion dated October 29, 1987 to the effect that, as of the date thereof, the ratios for conversion of the PacifiCorp Common Stock and UP&L Common Stock into Merging Corp. Common Stock are fair to the holders of UP&L Common Stock from a financial point of view and the ratios for conversion of the UP&L Preferred Stock into Merging Corp. Preferred Stock are fair to the holders of UP&L Preferred Stock from a financial point of view. For additional information concerning the matters considered and assumptions made by First Boston and Kidder, Peabody in reaching their respective opinions, the limitations on their respective reviews, and the fees received or to be received by them, see "THE MERGER—Opinions of Financial Advisers" and Appendices B and C to this Joint Proxy Statement/Prospectus.

**Certain Federal Income Tax Consequences**

PacifiCorp and UP&L have been advised that the Merger will be a tax-free reorganization for federal income tax purposes and that, accordingly, no income, gain or loss will be recognized by the shareholders of PacifiCorp or UP&L in the Merger, except that cash received in lieu of fractional shares or paid to dissenting shareholders may give rise to taxable income. The Merger is conditioned on the receipt of a legal opinion to this effect. See "THE MERGER—Certain Federal Income Tax Consequences." **Shareholders should consult with their own tax advisers regarding the tax consequences of the Merger in light of their own tax situations.**

**Interests of Certain Persons in the Merger**

The directors of PacifiCorp immediately prior to the Merger and three other persons who are directors of UP&L will become directors of Merging Corp. The executive officers of PacifiCorp and Pacific Power immediately prior to the Merger will serve in such capacities for Merging Corp. after the Merger. In addition, each person who is an executive officer of UP&L at the time of the Merger will be appointed as an executive officer of the UP&L Division. See "OPERATIONS AFTER THE MERGER." As contemplated by the Merger Agreement, UP&L may offer employment agreements to certain UP&L officers. Merging Corp. will assume UP&L's obligations under these agreements in the Merger. See "THE MERGER—Employee Benefits." Merging Corp. will also assume certain indemnification obligations with respect to PacifiCorp and UP&L officers, directors, employees and agents. See "THE MERGER—Interests of Certain Persons in the Merger."

**Effective Time**

If the Merger Agreement is approved by the shareholders of PacifiCorp and UP&L and the other conditions to the Merger are satisfied or waived, the Merger will be consummated and become effective (Effective Time) at the latest of the time that (i) Articles of Merger are filed with the Secretary of State of the State of Maine, (ii) Articles of Merger are filed with the Corporation Division of the Office of the Secretary of State of the State of Oregon, and (iii) a Certificate of Merger is issued by the Division of Corporations and Commercial Code of the State of Utah. Such filings shall be made as soon as practicable after the conditions necessary to consummation of the Merger are satisfied or waived. See "THE MERGER—Closing; Effective Time."

**Exchange of Stock Certificates**

As of the Effective Time, the certificates which prior to the Merger represented shares of PacifiCorp or UP&L stock will be deemed, for all corporate purposes, to evidence the class, series and number of shares of Merging Corp. stock into which they have been converted. HOLDERS OF UP&L COMMON STOCK

OR UP&L PREFERRED STOCK WILL NOT BE ENTITLED TO RECEIVE PAYMENT OF MERGING CORP. DIVIDENDS UNTIL THEIR CERTIFICATES HAVE BEEN EXCHANGED FOR MERGING CORP. CERTIFICATES. As soon as practicable after the Merger is effective, an exchange agent selected by Merging Corp. (Exchange Agent) will send transmittal instructions to each UP&L shareholder of record at the Effective Time, advising the shareholder of the procedure for surrendering UP&L stock certificates for Merging Corp. stock certificates. Cash will be paid to UP&L shareholders in lieu of fractional shares. CERTIFICATES REPRESENTING UP&L STOCK SHOULD NOT BE SURRENDERED UNTIL THE TRANSMITTAL FORM IS RECEIVED. After the Merger, holders of PacifiCorp stock will not be required to deliver their certificates to the Exchange Agent or Merging Corp.'s transfer agent in order to receive payment of dividends. See "THE MERGER—Exchange of Stock Certificates."

**Accounting Treatment**

The Merger is expected to qualify as a pooling of interests for accounting and financial reporting purposes. The Merger is conditioned upon receipt of an opinion of Deloitte Haskins & Sells, the independent certified public accountants for PacifiCorp and UP&L, that the Merger will be accounted for as a pooling of interests. See "THE MERGER—Accounting Treatment."

**Comparison of Shareholder Rights**

A discussion of significant differences in the rights of shareholders under Oregon, Maine and Utah laws and the articles of incorporation of PacifiCorp, UP&L and Merging Corp. is set forth under "COMPARISON OF SHAREHOLDER RIGHTS."

**Dissenters' Rights**

Under Utah law, holders of UP&L Preferred Stock who do not vote in favor of the Merger Agreement and who comply with the applicable procedures in dissenting from the Merger may receive in cash the "fair value" of their UP&L Preferred Stock, determined as of the day prior to the UP&L Meeting and excluding any appreciation or depreciation in anticipation of the Merger, in lieu of the consideration provided in the Merger Agreement. Failure to follow any of these procedures may result in the loss of dissenters' rights. See "RIGHTS OF DISSENTING SHAREHOLDERS" and Appendix D to this Joint Proxy Statement/Prospectus. Dissenters' rights are not available to holders of UP&L Common Stock and PacifiCorp Common and Preferred Stock.

**The Reincorporation**

If approved by shareholders of PacifiCorp and subject to receipt of necessary governmental and nongovernmental approvals, the Reincorporation would effect the change in PacifiCorp's state of incorporation from Maine to Oregon. The Board of Directors of PacifiCorp believes that this change in PacifiCorp's state of incorporation, which also would be accomplished by the Merger, would provide benefits to PacifiCorp and its shareholders. See "THE REINCORPORATION." Although the Board of Directors of PacifiCorp believes that the Merger will be consummated, the Reincorporation Agreement would allow the change in state of incorporation to proceed even if the Merger does not occur. The PacifiCorp Board of Directors unanimously recommends a vote FOR approval of the Reincorporation Agreement.

In the Reincorporation, PacifiCorp alone would be merged with and into Merging Corp. which would succeed by operation of law to the assets, liabilities and operations of PacifiCorp with its existing management. Shares of PacifiCorp capital stock will be converted into shares of Merging Corp. capital stock bearing the same name and generally having the same rights and preferences. The Articles of Incorporation of Merging Corp. would simultaneously be amended and restated to be substantially the same as the Restated Articles of Incorporation that would be adopted in the Merger except as described under "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp."

## SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following tables present selected historical financial information of PacifiCorp and UP&L and selected unaudited pro forma financial data for Merging Corp. after giving effect to the Merger as a pooling of interests for accounting and financial reporting purposes, assuming it had been effective for all periods presented. The PacifiCorp and UP&L historical data for the five years each ended December 31, except the ratio of earnings to combined fixed charges and preferred stock dividends, are taken from the audited financial statements of PacifiCorp and UP&L, respectively. The information set forth for the twelve and six months ended June 30, 1987 is unaudited, but includes all adjustments which the managements of both PacifiCorp and UP&L consider necessary for a fair statement of the results of operations and financial position for such periods. The pro forma data set forth below are not necessarily indicative of the results of operations or the financial condition which would actually have been reported had the Merger been in effect during those periods or which may be reported in the future. This information is based upon and should be read in conjunction with information set forth in the consolidated financial statements and related notes of PacifiCorp and UP&L, and the unaudited Combined Pro Forma Condensed Financial Statements and related notes of Merging Corp., which are included or incorporated by reference herein. See "INCORPORATION BY REFERENCE" and "PRO FORMA FINANCIAL INFORMATION."

| PacifiCorp-Historical | Year Ended December 31, 1982 | 1983 | 1984 | 1985 | 1986 | Twelve Months Ended June 30, 1987 | Six Months Ended June 30, 1987 |
|---|---|---|---|---|---|---|---|
| | (Amounts in millions, except per share data and ratios) | | | | | | |
| **Income Statement Data** | | | | | | | |
| Revenues | $1,406 | $1,598 | $1,786 | $1,985 | $2,067 | $2,160 | $1,069 |
| Income from Operations | 423 | 526 | 600 | 575 | 659 | 665 | 319 |
| Income Before Extraordinary and Accounting Change Items | 182 | 275 | 243 | 245 | 251 | 270 | 137 |
| Net Income | 181 | 69(1) | 243 | 245 | 251 | 270 | 137 |
| Preferred Stock Dividend Requirements | 40 | 46 | 44 | 29 | 20 | 19 | 9 |
| Earnings Available for Common | 141 | 23(1) | 199 | 216 | 231 | 251 | 128 |
| Earnings per Common Share Before Extraordinary and Accounting Change Items | 2.73 | 4.07 | 3.39 | 3.39 | 3.45 | 3.69 | 1.87 |
| Earnings per Common Share | 2.71 | .41(1) | 3.39 | 3.39 | 3.45 | 3.69 | 1.87 |
| Dividends Declared per Common Share | 2.16 | 2.16 | 1.70(2) | 2.34 | 2.40 | 2.43 | 1.23 |
| Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends(3) | 1.72x | 2.18x | 2.01x | 2.05x | 2.27x | 2.45x | 2.48x |

| | As of December 31, 1982 | 1983 | 1984 | 1985 | 1986 | As of June 30, 1987 |
|---|---|---|---|---|---|---|
| | (Amounts in millions) | | | | | |
| **Balance Sheet Data** | | | | | | |
| Total Assets | $4,555 | $4,586 | $4,859 | $5,234 | $5,521 | $5,599 |
| Long-Term Debt and Capital Lease Obligations | 2,025 | 2,081 | 2,062 | 2,194 | 2,206 | 2,095 |
| Preferred Stock | | | | | | |
| With Mandatory Redemption Provisions | 67 | 67 | 67 | 67 | 67 | 56 |
| Without Mandatory Redemption Provisions | 351 | 352 | 291 | 164 | 149 | 199 |
| Common Equity | 1,212 | 1,146 | 1,358 | 1,543 | 1,676 | 1,756 |

## UP&L-Historical

| | Year Ended December 31, | | | | | Twelve Months Ended June 30, 1987 | Six Months Ended June 30, 1987 |
|---|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1986 | | |
| | (Amounts in millions, except per share data and ratios) | | | | | | |
| **Income Statement Data** | | | | | | | |
| Revenues | $782 | $855 | $968 | $1,042 | $985 | $982 | $490 |
| Income from Operations | 252 | 313 | 368 | 388 | 267 | 278 | 178 |
| Net Income | 133 | 144 | 115(4) | 156 | 103(5) | 95(5) | 62 |
| Preferred Stock Dividend Requirements | 20 | 20 | 20 | 21 | 19 | 11 | 3 |
| Earnings Available for Common | 113 | 124 | 95(4) | 135 | 84(5) | 84(5) | 59 |
| Earnings per Common Share | 2.38 | 2.39 | 1.78(4) | 2.46 | 1.48(5) | 1.45(5) | 1.00 |
| Dividends Declared per Common Share | 2.26 | 2.29 | 2.32 | 2.32 | 2.32 | 2.32 | 1.16 |
| Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends(3) | 2.13x | 2.33x | 2.14x | 2.61x | 1.92x | 1.90x | 2.27x |

| | As of December 31, | | | | | As of June 30, 1987 |
|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1986 | |
| | (Amounts in millions) | | | | | |
| **Balance Sheet Data** | | | | | | |
| Total Assets | $2,736 | $2,838 | $2,899 | $3,019 | $3,141 | $3,234 |
| Long-Term Debt | 1,096 | 1,081 | 1,083 | 1,073 | 1,196 | 1,362 |
| Preferred Stock Without Mandatory Redemption Provisions | 225 | 225 | 225 | 225 | 135 | 50 |
| Common Equity | 948 | 986 | 991 | 1,041 | 1,050 | 1,068 |

## Pro Forma-PacifiCorp and UP&L(6)

| | Year Ended December 31, | | | Twelve Months Ended June 30, 1987 | Six Months Ended June 30, 1987 |
|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | | |
| | (Amounts in millions, except per share data and ratios) | | | | |
| **Income Statement Data** | | | | | |
| Revenues | $2,751 | $3,022 | $3,051 | $3,140 | $1,557 |
| Income from Operations | 968 | 963 | 926 | 943 | 497 |
| Net Income | 358(4) | 401 | 354(5) | 365(5) | 199 |
| Preferred Stock Dividend Requirements | 64 | 50 | 39 | 30 | 12 |
| Earnings Available for Common | 294(4) | 351 | 315(5) | 335(5) | 187 |
| Earnings per Common Share(7) | 2.75 to 2.68(4) | 3.09 to 3.02 | 2.66 to 2.60(5) | 2.78 to 2.72(5) | 1.54 to 1.51 |
| Dividends Declared per Common Share(7) | 2.08 to 2.04(2) | 2.43 to 2.38 | 2.47 to 2.41 | 2.48 to 2.43 | 1.25 to 1.22 |
| Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends(3) | 2.05x | 2.24x | 2.17x | 2.27x | 2.40x |

| | As of December 31, | | | As of June 30, 1987 |
|---|---|---|---|---|
| | 1984 | 1985 | 1986 | |
| | (Amounts in millions) | | | |
| **Balance Sheet Data** | | | | |
| Total Assets | $7,758 | $8,253 | $8,662 | $8,833 |
| Long-Term Debt and Capital Lease Obligations | 3,145 | 3,267 | 3,402 | 3,457 |
| Preferred Stock | | | | |
| With Mandatory Redemption Provisions | 67 | 67 | 67 | 56 |
| Without Mandatory Redemption Provisions | 516 | 389 | 284 | 249 |
| Common Equity | 2,349 | 2,584 | 2,726 | 2,824 |

(1) PacifiCorp 1983 results reflected an after-tax income reduction of $228.3 million, or $4.05 per share, due to the effect of a provision for estimated unrecoverable nuclear project costs.

(2) Due to a shift in declaration and payment dates, only three PacifiCorp common stock dividends were declared in 1984.

(3) For the purpose of computing such ratios, "earnings" represents the aggregate of (a) income before extraordinary items, (b) taxes based on income, (c) minority interest in the income of majority-owned subsidiaries that have fixed charges, (d) fixed charges and (e) undistributed losses of less than 50% owned affiliates without loan guarantees. "Fixed charges" represents consolidated interest charges, interest charges on majority-owned unconsolidated financial services entities, the proportionate interest charges on debt guaranteed for equity investees, an estimated amount representing the interest factor in rents and preferred dividend requirement of majority-owned subsidiary. "Preferred stock dividends" represents preferred dividend requirements multiplied by the ratio which pre-tax income bears to net income before extraordinary items. Pro forma ratios have been computed as if PacifiCorp and UP&L were combined at the beginning of each period.

(4) UP&L 1984 results reflected the write-off of UP&L's investment in the Hunter Fourth Unit, a cancelled 400 mw coal-fired generating plant, amounting to $33.6 million after taxes, a reduction of $.63 per common share, or $.31 per common share on a pro forma basis (assuming conversion ratios between .909 and .957).

(5) In December 1986, UP&L reflected a fuel adjustment of $43.7 million after taxes (a reduction of $.78 per common share for the year ended December 31, 1986 and $.76 per common share for the twelve months ended June 30, 1987). On a pro forma basis this reduction would be $.37 to $.36 per common share for the year ended December 31, 1986 and $.36 per common share for the twelve months ended June 30, 1987 (assuming conversion ratios between .909 and .957).

(6) Pro forma results are not necessarily indicative of results for future periods, which will reflect costs associated with the Merger currently estimated to be $18.5 million. Pro forma amounts were calculated assuming that no cash will be paid for fractional shares or upon exercise of dissenters' rights.

(7) Pro forma per share amounts were calculated assuming a conversion ratio of (a) .909 share and (b) .957 share of Merging Corp. Common Stock for each share of UP&L Common Stock outstanding immediately prior to the Merger. The conversion ratio may be higher than .957 or lower than .909 depending on the PacifiCorp Closing Price. See "THE MERGER—Conversion Ratios."

**Results for Recent Period**

The following table presents selected unaudited historical financial information of PacifiCorp and UP&L for the nine months ended September 30, 1987 and selected unaudited pro forma financial data for Merging Corp. after giving effect to the Merger as a pooling of interests for accounting and financial reporting purposes, assuming it had been effective for the period presented.

| | Nine Months Ended September 30, 1987 | | |
|---|---|---|---|
| | Historical | | |
| | PacifiCorp | UP&L | Pro Forma Totals(6) |
| Revenues | $1,592 | $741 | $2,331 |
| Income from Operations | 460 | 286 | 746 |
| Net Income | 189 | 105 | 294 |
| Preferred Stock Dividend Requirements | 13 | 4 | 17 |
| Earnings Available for Common | 176 | 101 | 277 |
| Earnings per Common Share (7) | 2.56 | 1.73 | 2.27 to 2.22 |
| Dividends Declared per Common Share (7) | 1.86 | 1.74 | 1.88 to 1.84 |
| Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (3) | 2.34x | 2.53x | 2.40x |

Note references are to Notes set forth above.

## COMPARATIVE PER SHARE FINANCIAL INFORMATION

The following table sets forth certain historical per share information for PacifiCorp and for UP&L, certain pro forma per share information for Merging Corp. after giving effect to the Merger as a pooling of interests for accounting and financial reporting purposes, assuming it had been effective for all periods presented, and equivalent pro forma per share information for UP&L based on the pro forma Merging Corp. information. This information is based upon and should be read in conjunction with information set forth in the consolidated financial statements and related notes of PacifiCorp and UP&L, and the unaudited Pro Forma Condensed Combined Financial Statements and the related notes of Merging Corp., which are included or incorporated by reference herein. See "INCORPORATION BY REFERENCE" and "PRO FORMA FINANCIAL INFORMATION."

| | Historical | | Pro Forma | |
|---|---|---|---|---|
| Per Common Share | PacifiCorp | UP&L | Merging Corp.(1) | UP&L Equivalent(2) |
| Earnings: | | | | |
| Year ended December 31, | | | | |
| 1984 | $3.39 | $1.78 | $2.75 to 2.68(3) | $2.50 to 2.56(3) |
| 1985 | 3.39 | 2.46 | 3.09 to 3.02 | 2.81 to 2.89 |
| 1986 | 3.45 | 1.48 | 2.66 to 2.60(4) | 2.42 to 2.49(4) |
| Six Months ended June 30, 1987 | 1.87 | 1.00 | 1.54 to 1.51 | 1.40 to 1.45 |
| Cash Dividends Declared: | | | | |
| Year ended December 31, | | | | |
| 1984 | 1.70(5) | 2.32 | 2.08 to 2.04(5) | 1.89 to 1.95(5) |
| 1985 | 2.34 | 2.32 | 2.43 to 2.38 | 2.21 to 2.28 |
| 1986 | 2.40 | 2.32 | 2.47 to 2.41 | 2.25 to 2.31 |
| Six Months ended June 30, 1987 | 1.23 | 1.16 | 1.25 to 1.22 | 1.14 to 1.17 |
| Book Value: | | | | |
| December 31, 1986 | 24.71 | 18.24 | 22.69 to 22.18 | 20.63 to 21.23 |
| June 30, 1987 | 25.47 | 18.21 | 23.10 to 22.58 | 21.00 to 21.61 |

(1) Prepared based on combined data for PacifiCorp and UP&L after giving effect at the beginning of the respective periods to the conversion of each share of UP&L Common Stock into (a) .909 share and (b) .957 share of Merging Corp. Common Stock. The actual conversion ratio may be higher than .957 or lower than .909 depending upon the PacifiCorp Closing Price. See "THE MERGER—Conversion Ratios."

(2) Represents the pro forma equivalent of one share of UP&L Common Stock calculated by multiplying Pro Forma Merging Corp. data by the conversion ratio of (a) .909 share and (b) .957 share of Merging Corp. Common Stock for each share of UP&L Common Stock. The actual conversion ratio may be higher than .957 or lower than .909 depending upon the PacifiCorp Closing Price. See "THE MERGER—Conversion Ratios."

(3) Pro forma earnings per common share for the year ended December 31, 1984 would have been $3.06 to $2.99 before the write-off of UP&L's investment in the Hunter Fourth Unit described in Note (4) to "SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION." UP&L equivalent pro forma earnings per common share amounts would have been $2.78 to $2.86 before the write-off.

(4) Pro forma earnings per common share for the year ended December 31, 1986 would have been $3.03 to $2.96 before the fuel adjustment described in Note (5) to "SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION." UP&L equivalent pro forma earnings per common share amounts would have been $2.75 to $2.83 before the adjustment.

(5) Due to a shift in declaration and payment dates, only three PacifiCorp common stock dividends were declared in 1984.

## COMPARATIVE PER SHARE PRICES

**Common Stock**

Merging Corp. was formed to facilitate consummation of the Merger and change the state of incorporation of PacifiCorp from Maine to Oregon. All of its stock is held by PacifiCorp. As a condition to the Merger, the shares of Merging Corp. (renamed PacifiCorp) Common Stock to be issued in the Merger must be approved for listing by the New York and Pacific Stock Exchanges, subject to official notice of issuance.

PacifiCorp Common Stock is traded on the New York, Pacific and London Stock Exchanges. UP&L Common Stock is traded on the New York and Pacific Stock Exchanges. The following table sets forth, for the periods indicated, the high and low sales prices of PacifiCorp and UP&L Common Stock, as reported on the New York Stock Exchange Composite Tape, and equivalent per share prices for UP&L Common Stock based on the PacifiCorp Common Stock prices. On October 23, 1987, the closing prices for the PacifiCorp and UP&L Common Stock were $32⅛ and $25⅝, respectively. For current price information, shareholders are encouraged to consult publicly available sources.

| | Price Per Share of Common Stock | | | | Price Per Equivalent Share of UP&L Common Stock(1) | |
|---|---|---|---|---|---|---|
| | PacifiCorp | | UP&L | | | |
| | High | Low | High | Low | High | Low |
| **1985:** | | | | | | |
| First Quarter | $27⅝ | $24⅞ | $24¼ | $21 | $25⅛ to 26½ | $22⅝ to 23¾ |
| Second Quarter | 30⅝ | 27⅜ | 26 | 22¾ | 27⅞ to 29⅜ | 24⅞ to 26¼ |
| Third Quarter | 31⅜ | 27 | 26⅞ | 22¾ | 28¾ to 30¼ | 24½ to 25⅞ |
| Fourth Quarter | 31½ | 27⅞ | 26½ | 23⅜ | 28⅝ to 30⅛ | 25⅜ to 26⅝ |
| **1986:** | | | | | | |
| First Quarter | 35½ | 30⅛ | 29¾ | 24⅞ | 32¼ to 34 | 27⅜ to 28⅞ |
| Second Quarter | 36⅞ | 31⅜ | 30¾ | 27⅞ | 33½ to 35¼ | 28½ to 30 |
| Third Quarter | 38 | 32 | 37¼ | 29⅛ | 34½ to 36⅜ | 29⅛ to 30⅝ |
| Fourth Quarter | 36⅞ | 33½ | 33⅜ | 25⅝ | 33½ to 35¼ | 30½ to 32 |
| **1987:** | | | | | | |
| First Quarter | 39 | 34⅞ | 30¼ | 25½ | 35½ to 37⅜ | 31¾ to 33⅜ |
| Second Quarter | 36⅝ | 31⅞ | 26⅜ | 22 | 33¼ to 35 | 29 to 30½ |
| Third Quarter | 36⅝ | 33⅜ | 30⅞ | 23⅜ | 33¼ to 35 | 30⅜ to 32 |
| Fourth Quarter through 10/23/87 | 35⅝ | 26¾ | 29⅞ | 20¾ | 32⅜ to 34⅛ | 24⅜ to 25⅝ |

(1) Calculated by multiplying the PacifiCorp Common Stock price by the conversion ratio of (a) .909 share and (b) .957 share of Merging Corp. Common Stock for each share of UP&L Common Stock and rounding to the nearest ⅛. The conversion ratio may be higher than .957 or lower than .909 depending upon the PacifiCorp Closing Price. See "THE MERGER—Conversion Ratios."

On July 27, 1987 (the last trading day prior to the public announcement that UP&L had received merger proposals), the high and low sales prices of UP&L Common Stock, as quoted on the New York Stock Exchange Composite Tape, were $24⅜ and $24⅛, respectively, and the high and low sales prices of PacifiCorp Common Stock, as reported on the New York Stock Exchange Composite Tape, were $35¾ and $35⅜, respectively. On August 12, 1987 (the last trading day prior to the public announcement of the proposed Merger), the high and low sales prices for UP&L Common Stock were $27 and $26¼, respectively, and the high and low sales prices for PacifiCorp Common Stock were $36¼ and $35¾, respectively.

**Preferred Stock**

The PacifiCorp Preferred Stock and the UP&L Preferred Stock are traded in the over-the-counter market. The trading prices of such stocks are believed to be based upon their respective yields. The PacifiCorp Preferred Stock and the UP&L Preferred Stock will be converted on a share-for-share basis into classes and series of Merging Corp. Preferred Stock having stated rates of dividend that are identical to the shares converted. The Merging Corp. Preferred Stock will also have other rights and preferences substantially the same as those of the shares converted, except as described under "COMPARISON OF SHAREHOLDER RIGHTS" and "MERGING CORP. CAPITAL STOCK."

**Ratings**

Prior to the announcement of the proposed Merger, the securities of PacifiCorp and UP&L were rated by Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Duff & Phelps as follows:

| | Moody's | S&P | Duff & Phelps |
|---|---|---|---|
| PacifiCorp | | | |
| Preferred Stock | Baa 1 | BBB+ | 8 |
| First Mortgage Bonds | A3 | A- | 7 |
| Commercial Paper | P2 | A2 | 1- |
| UP&L | | | |
| Preferred Stock | a1 | A- | 7 |
| First Mortgage Bonds | A1 | A | 6 |
| Commercial Paper | P1 | A1 | - |

On August 17, 1987, S&P placed the above-listed securities of UP&L on its Credit Watch with negative implications indicating that it may be necessary to downgrade such securities pending consummation of the Merger. Although PacifiCorp and UP&L believe such downgradings would be unwarranted, they are unable to predict what S&P's ratings will be at the time the Merger is consummated. Both Moody's and Duff & Phelps have reviewed and reaffirmed existing ratings, but have not indicated what their ratings for Merging Corp. securities will be after the Merger.

## MEETING INFORMATION

**Purpose of the Meetings**

This Joint Proxy Statement/Prospectus is being furnished by PacifiCorp and UP&L to their respective shareholders in connection with the solicitation of proxies by the Board of Directors of PacifiCorp for use at the PacifiCorp Meeting, and by the Board of Directors of UP&L for use at the UP&L Meeting. At the meetings, shareholders of PacifiCorp and UP&L will consider and vote upon a proposal to approve the Merger Agreement among PacifiCorp, UP&L and Merging Corp. Pursuant to the Merger Agreement, PacifiCorp and UP&L will merge with and into Merging Corp., which will be renamed PacifiCorp. Each share of PacifiCorp capital stock and UP&L capital stock outstanding immediately prior to the Merger will be converted into shares of Merging Corp. capital stock on the basis, terms and conditions set forth in the Merger Agreement and described below under "THE MERGER—Conversion Ratios." The Merger will also effect the amendment and restatement of the articles of incorporation of Merging Corp. as described below under "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp." See also Exhibit B to Appendix A.

The Board of Directors of PacifiCorp believes the Merger is in the best interests of PacifiCorp and its shareholders and unanimously recommends that PacifiCorp shareholders vote FOR approval of the Merger Agreement. The Board of Directors of UP&L believes the Merger is in the best interests of UP&L and its shareholders and unanimously recommends that UP&L shareholders vote FOR approval of the Merger Agreement.

At the PacifiCorp Meeting, shareholders will also consider and vote upon a proposal to approve the Reincorporation Agreement between PacifiCorp and Merging Corp. Pursuant to the Reincorporation Agreement, if the Merger Agreement is terminated for any reason, including the failure to obtain necessary shareholder or regulatory approvals, PacifiCorp alone will merge with and into Merging Corp. to effect the change in the state of incorporation of PacifiCorp from Maine to Oregon. Renamed PacifiCorp, Merging Corp. will carry on the business of PacifiCorp with its existing management under restated articles of incorporation substantially similar to those to be adopted in the Merger. In the Reincorporation, each share of PacifiCorp capital stock outstanding immediately prior to the Reincorporation will be automatically converted into one share of Merging Corp. capital stock bearing the same name and generally having the same rights and preferences.

The Board of Directors of PacifiCorp believes that the Reincorporation is in the best interests of PacifiCorp and its shareholders and unanimously recommends that PacifiCorp shareholders vote FOR approval of the Reincorporation Agreement.

**The proposals to be presented at the PacifiCorp Meeting are not alternative proposals. The PacifiCorp Board of Directors recommends that PacifiCorp shareholders vote FOR both of the proposals.**

**Date, Place and Time**

The PacifiCorp Meeting will be held at the auditorium in the Public Service Building, 920 SW Sixth Avenue, Portland, Oregon on December 15, 1987 at 9:00 a.m., local time. The UP&L Meeting will be held in the Assembly Hall, Salt Lake County Civic Auditorium, "Salt Palace," 100 South West Temple Street, Salt Lake City, Utah on December 15, 1987 at 2:00 p.m., local time.

**Record Date; Shareholders Entitled to Vote**

*PacifiCorp.* The Board of Directors of PacifiCorp has fixed the close of business on October 26, 1987 as the record date (PacifiCorp Record Date) for the determination of the holders of PacifiCorp Common Stock, 5% Preferred Stock, Serial Preferred Stock, and No Par Serial Preferred Stock entitled to notice of and to vote at the PacifiCorp Meeting, or any adjournments thereof. On the PacifiCorp Record Date, the following number of shares of each class of PacifiCorp capital stock were outstanding:

| | |
|---|---|
| Common Stock | 69,675,102 |
| 5% Preferred Stock | 126,533 |
| Serial Preferred Stock | 754,092 |
| No Par Serial Preferred Stock | 1,183,815 |

Each holder of PacifiCorp Common Stock, 5% Preferred Stock and Serial Preferred Stock on the PacifiCorp Record Date is entitled to one vote for each share held on each matter presented at the PacifiCorp Meeting. Holders of the various series of No Par Serial Preferred Stock outstanding on the PacifiCorp Record Date are entitled to the following votes on each matter presented at the PacifiCorp Meeting, except as set forth below: one vote for each share of the 500,000 shares of the $7.12 No Par Serial Preferred Stock; one-quarter of one vote for each share of the 682,815 shares of the $2.13 No Par Serial Preferred Stock; and 1,000 votes for each of the 1,000 shares of Dutch Auction Rate Transferable Securities™ No Par Serial Preferred Stock, Series A and B (DARTS). The holders of DARTS are not entitled to vote on matters presented to shareholders generally, but are entitled to vote on the proposals to approve the Merger Agreement and the Reincorporation Agreement.

*UP&L.* The Board of Directors of UP&L has fixed the close of business on November 2, 1987 as the record date (UP&L Record Date) for the determination of the holders of UP&L Common or Preferred Stock entitled to notice of and to vote at the UP&L Meeting, or any adjournments thereof. On the UP&L Record Date, the following number of shares of each class of UP&L Common and Preferred Stock were outstanding:

| | |
|---|---|
| Common Stock | 58,953,462 |
| Preferred Stock | 2,000,000 |

Each holder of UP&L Common or Preferred Stock on the UP&L Record Date is entitled to one vote for each share held on the proposal to approve the Merger Agreement, and each holder of UP&L Common Stock is entitled to one vote for each share held on any other matter anticipated to be presented at the UP&L Meeting.

**Required Vote**

The approval of the Merger Agreement and the Reincorporation Agreement at the PacifiCorp Meeting will each require the affirmative vote, either in person or by proxy, of the holders of a majority of the votes entitled to be cast by each of the classes of shares outstanding on the PacifiCorp Record Date. As of September 30, 1987, PacifiCorp's directors, executive officers and their affiliates held 84,503 shares of PacifiCorp Common Stock, eight shares of 5% Preferred Stock, and no shares of Serial Preferred Stock or No Par Serial Preferred Stock, in each case representing less than 0.2 percent of the votes entitled to be cast by such class. Information concerning such persons, their share ownership and the share ownership of any principal shareholders is included in PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 1986 and in the PacifiCorp Proxy Statement for the 1987 Annual Meeting of Stockholders, which information is hereby incorporated by reference herein. Richard C. Edgley, a director of PacifiCorp

since October 14, 1987, serves as Managing Director, Finance and Records Department of The Church of Jesus Christ of Latter-day Saints which, at September 30, 1987, owned 186,136 shares of PacifiCorp Common Stock and 409,294 shares of UP&L Common Stock. Although Mr. Edgley may be considered a beneficial owner of such stock because of his membership on a committee of the Church that oversees investments in securities, he disclaims beneficial ownership of such shares.

To the extent permitted by and in accordance with applicable securities laws and regulatory requirements, PacifiCorp or its affiliates may purchase up to one million shares of outstanding UP&L Common Stock from time to time prior to the Effective Time. If PacifiCorp becomes a record holder of any such shares prior to the UP&L Record Date or obtains a proxy from sellers of such shares who are record holders at that date, PacifiCorp intends to vote such shares in favor of the Merger.

The approval of the Merger Agreement at the UP&L Meeting will require the affirmative vote, either in person or by proxy, of the holders of a majority of the shares of UP&L Common Stock and the holders of a majority of the shares of UP&L Preferred Stock outstanding on the UP&L Record Date. As of September 30, 1987, UP&L's directors, executive officers and their affiliates held 35,137 shares of UP&L Common Stock and no shares of UP&L Preferred Stock, in each case representing less than 0.1 percent of the shares of the class. These persons hold an aggregate of 100 shares of PacifiCorp Common Stock. Information concerning such persons, their share ownership and the share ownership of any principal shareholders is included in UP&L's Annual Report on Form 10-K for the year ended December 31, 1986 and in the UP&L Proxy Statement for the 1987 Annual Meeting of Shareholders, which information is hereby incorporated by reference herein.

The Merger Agreement and the Reincorporation Agreement have been approved by PacifiCorp as the sole shareholder of Merging Corp.

**Solicitation, Revocation and Use of Proxies**

Each properly completed proxy returned in time for voting at the Special Meeting to which it relates will be voted in accordance with the instructions indicated on the proxy, or, if no instructions are provided, will be voted FOR the proposal to approve the Merger Agreement and, if the proxy relates to the PacifiCorp Meeting, FOR the proposal to approve the Reincorporation Agreement.

A shareholder may revoke a proxy at any time before it is voted by filing with the Corporate Secretary of the corporation to which the proxy relates either an instrument revoking the proxy or a duly executed proxy bearing a later date, or by attending the Special Meeting to which the proxy relates and voting in person. Such filing shall be made, in the case of PacifiCorp, to the attention of Sally A. Nofziger, Corporate Secretary, and in the case of UP&L, to the attention of Robert Gordon, Vice President and Corporate Secretary, at the respective addresses set forth in the Summary. Attendance at the Special Meeting to which a proxy relates will not by itself revoke the proxy.

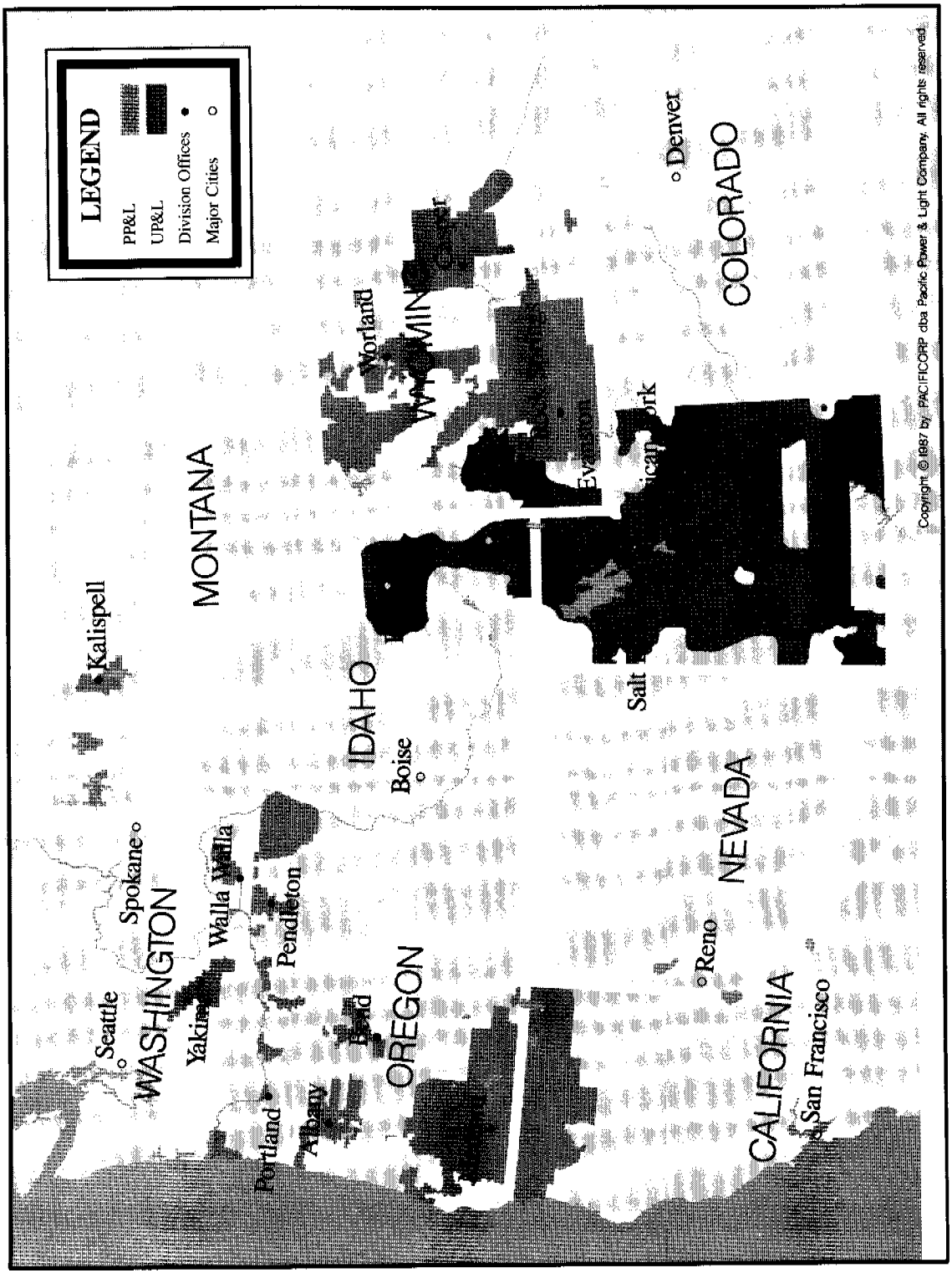
PacifiCorp and UP&L will pay the expenses of soliciting proxies from their respective shareholders. The solicitation is being made by mail, telephone, telegram and other means of communication. Officers and employees of PacifiCorp and UP&L may also take part in the solicitation, but will not receive additional compensation for doing so other than reimbursement of any out-of-pocket expenses incurred in connection therewith. Arrangements have also been made to furnish copies of proxy materials to custodians, nominees, fiduciaries and brokerage houses for forwarding to beneficial owners of PacifiCorp and UP&L stock. Such persons will be paid their reasonable expenses incurred in connection therewith. In addition, Morrow & Co. has been engaged to solicit proxies on behalf of PacifiCorp and UP&L for a fee of $65,000 plus reasonable out-of-pocket expenses.

**Other Matters**

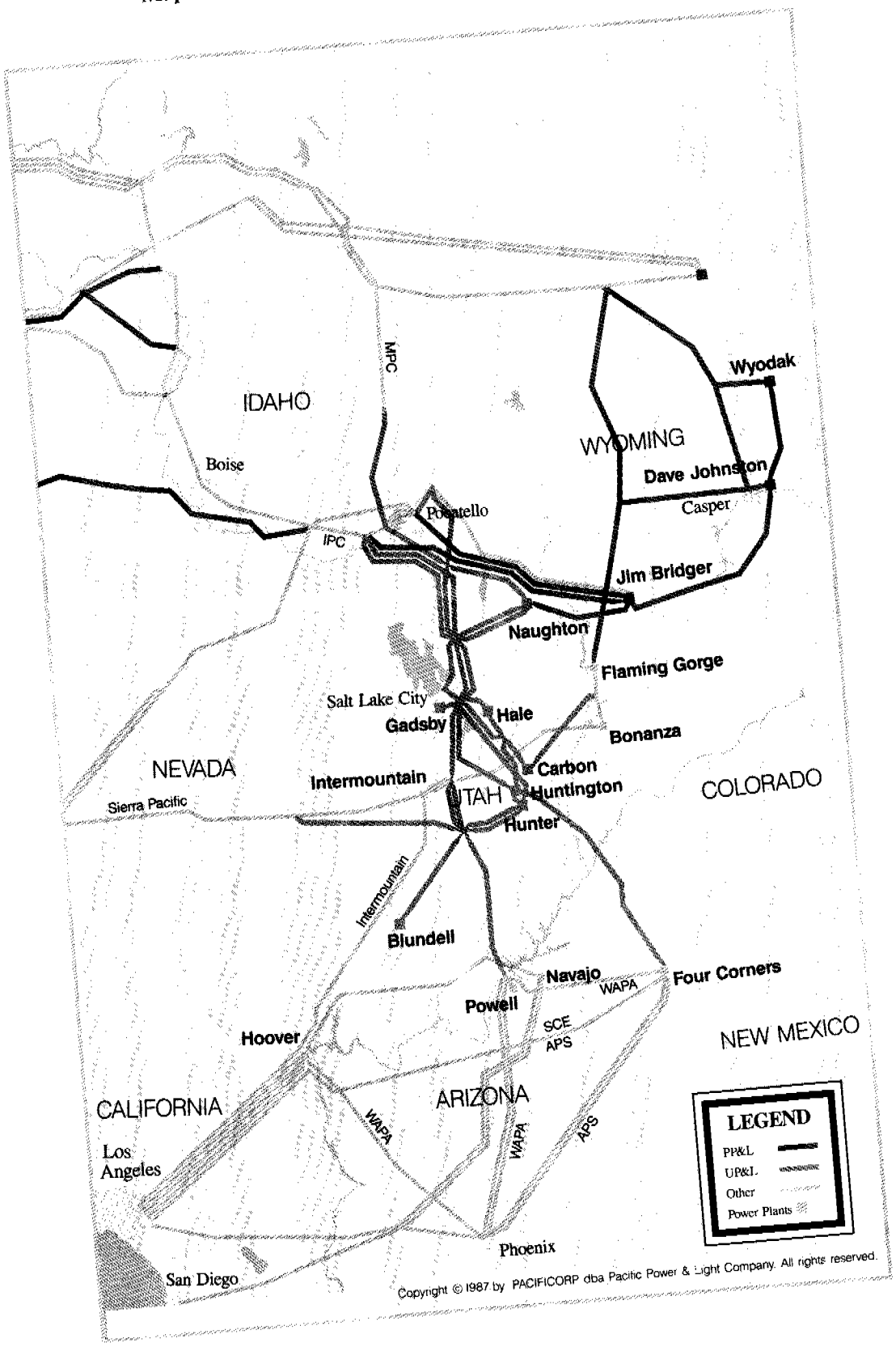
Neither PacifiCorp nor UP&L is aware of any other business to be presented for consideration at its Special Meeting. If any other business properly comes before such meeting and a proxy in the enclosed form has been properly completed and not revoked, the holders of the proxy will have discretionary authority to vote the shares represented thereby with respect to that business in the manner they consider appropriate.

Representatives of Deloitte Haskins & Sells, independent certified public accountants for both PacifiCorp and UP&L, are expected to be present at the PacifiCorp and UP&L Special Meetings and will be available to respond to questions.

## Map of Pacific Power and UP&L Service Territories



## Map of Pacific Power and UP&L Transmission Systems



## THE MERGER

### General

The Merger Agreement provides that, subject to the satisfaction or waiver of certain conditions, including but not limited to the receipt of all necessary regulatory and shareholder approvals, PacifiCorp and UP&L will be merged with and into Merging Corp. As a result of the Merger, the separate corporate existences of PacifiCorp and UP&L will cease, and the shareholders of PacifiCorp and UP&L will become shareholders of Merging Corp. (then renamed PacifiCorp).

The Merger Agreement and certain related matters are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Merger Agreement, which is attached as Appendix A to this Joint Proxy Statement/Prospectus and is hereby incorporated herein by reference.

### Conversion Ratios

At the time the Merger becomes effective, each share of PacifiCorp Common and Preferred Stock and UP&L Common and Preferred Stock outstanding immediately prior to the Merger will be converted into Common Stock or Preferred Stock of Merging Corp. as follows:

(a) each share of PacifiCorp Common Stock will be converted into one share of Merging Corp. Common Stock;

(b) each share of PacifiCorp 5% Preferred Stock, each share of PacifiCorp Serial Preferred Stock and each share of PacifiCorp No Par Serial Preferred Stock will be converted into one share of that class or series of Merging Corp. Preferred Stock bearing the same name and having generally the same rights and preferences as the share of PacifiCorp Preferred Stock being converted;

(c) each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as determined by the following formula based on the average closing price of PacifiCorp Common Stock on the New York Stock Exchange Composite Tape for the 10 trading days (Computation Period) immediately following the date on which the last of the conditions to the Merger set forth in the Merger Agreement that are not intended to occur at the closing of the Merger has been fulfilled or waived (PacifiCorp Closing Price):

(i) if the PacifiCorp Closing Price is more than $41.804, each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $38 by the PacifiCorp Closing Price;

(ii) if the PacifiCorp Closing Price is more than $35.475 but equal to or less than $41.804, each share of UP&L Common Stock will be converted into .909 shares of Merging Corp. Common Stock;

(iii) if the PacifiCorp Closing Price is equal to or less than $35.475 but more than $33.70, each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price;

(iv) if the PacifiCorp Closing Price is equal to or less than $33.70, each share of UP&L Common Stock will be converted into .957 shares of Merging Corp. Common Stock, provided that if the PacifiCorp Closing Price is equal to or less than $33.70, UP&L, through its Board of Directors, may elect to terminate the Merger Agreement unless within 48 hours after receipt of notice of termination from UP&L, PacifiCorp and Merging Corp., through their Boards of Directors, agree that each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price; and

(d) each share of UP&L Preferred Stock, except shares for which dissenters' rights have been perfected, will be converted into one share of that series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate and substantially similar rights and preferences as the share of

UP&L Preferred Stock that is converted, except as described under "COMPARISON OF SHARE HOLDER RIGHTS" and "MERGING CORP. CAPITAL STOCK."

No fractional shares of Merging Corp. Common Stock will be issued in the Merger. In lieu of any fractional shares, each holder of shares of UP&L Common Stock who would otherwise have been entitled to a fraction of a share of Merging Corp. Common Stock will receive an amount of cash, without interest, determined by multiplying (i) the PacifiCorp Closing Price by (ii) the fractional share interest in Merging Corp. Common Stock to which the holder would otherwise be entitled.

If the conversion ratio were .909 and .957, holders of UP&L Common Stock as a group would have received a total of 53,588,696 shares and 56,418,463 shares, respectively, of Merging Corp. Common Stock, or 43.47 and 44.74 percent of the total number of shares issued to holders of PacifiCorp and UP&L Common Stock, based upon the number of shares of PacifiCorp and UP&L Common Stock outstanding on the respective Record Dates. THE NUMBER OF SHARES OF MERGING CORP. COMMON STOCK THAT UP&L SHAREHOLDERS WILL RECEIVE IN THE MERGER MAY BE MORE OR LESS THAN THE NUMBERS SET FORTH ABOVE DEPENDING ON THE MARKET PRICE OF PACIFICORP COMMON STOCK PRIOR TO THE MERGER AND ACTIONS OF THE BOARDS OF DIRECTORS OF PACIFICORP, UP&L AND MERGING CORP. See "COMPARATIVE PER SHARE PRICES" and "THE MERGER—Amendment and Termination."

**Background of and Reasons for the Merger; Recommendations of the Boards of Directors**

The Boards of Directors and management of both PacifiCorp and UP&L believe that the Merger of PacifiCorp and UP&L would be advantageous to shareholders and customers of both companies, as well as the states and communities they serve. Operating benefits derived from the pooling of management, manpower, technical expertise and energy production and transmission resources are expected to yield greater efficiency for the utility operations of both companies.

It is expected that the combined company could increase efficiency of operation by balancing offsetting load demands and combining facilities and administrative operations. The two companies now experience peak demands for electricity during different seasons and at different times of day. The combination of PacifiCorp and UP&L would result in a customer base that has seasons of peak demand for electricity different from the present customer base of each company, thereby enabling the combined company to service a larger customer base in part through more efficient utilization of existing generating and transmission capacity. The operations of PacifiCorp and UP&L geographically complement each other; both companies serve the Western United States and their service territories both include portions of Idaho and Wyoming. (See map on page 19.) The availability of the PacifiCorp surplus power may also enable the UP&L Division to delay construction of a new power plant contemplated for the mid-1990's, thereby deferring and possibly eliminating significant construction expenditures. PacifiCorp's experience in coal mining could benefit UP&L's coal operations.

The Merger would also create a transmission system that could better carry surplus power of the combined operation to markets for such power. PacifiCorp currently generates a surplus of low-cost electrical power, but has limited access to the Pacific Intertie lines through Northern California to markets for the power in Southern California and the Southwest. UP&L's transmission system runs north and south from the Montana-Idaho border, through Wyoming and Utah to Nevada, Arizona and the Southwest. The combination of PacifiCorp's east-west and UP&L's primarily north-south transmission networks would give UP&L customers in Idaho, Wyoming and Utah greater access to lower cost generating sources in the Northwest and would provide the combined company with an increased ability to sell its surplus power to wholesale power markets in Southern California and the Southwest. As a result, it is expected that the efficiency of energy resource utilization in the Western United States will be increased by the Merger. (See map on page 20.)

The combined company will be larger and, due to expected operating efficiencies and greater opportunities for power sales, is expected to be financially stronger than either PacifiCorp or UP&L alone. As a result, the combined company should be better able to finance the acquisition or construction of facilities on more advantageous terms. As capital costs are a major component of the operating costs of electric utilities, lower capital costs should increase the ability of the combined company to stabilize rates.

Overall, the anticipated benefits of the Merger should enable the combined company, in the near term, to maintain or reduce rates for customers in its service territory and, over the long term, to maintain more stable rates than could either PacifiCorp or UP&L alone. PacifiCorp and UP&L have informally agreed to file within 60 days after the Merger revised rate tariffs in Utah, Wyoming and Idaho proposing an overall reduction in prices to UP&L customers of two percent. The companies also presently intend to prepare and submit to the relevant regulatory commissions by the end of 1988 a plan to achieve total price reductions to UP&L customers of five to ten percent.

*PacifiCorp.* Uncertain economic conditions and the decline in the growth of demand for electricity in its service area have led PacifiCorp to explore additional ways to maintain and improve its financial performance in an increasingly competitive environment. PacifiCorp has been interested for some time in combining with a utility that would complement PacifiCorp's existing operations and transmission system. For the reasons discussed above, the PacifiCorp Board of Directors found UP&L to be well suited in this respect. In addition, the Merger would accomplish the reincorporation of PacifiCorp in Oregon and would allow the combined entity to take advantage of the benefits described under "INFORMATION CONCERNING MERGING CORP.—Role of Merging Corp. in the Merger." Accordingly, the PacifiCorp Board of Directors approved the Merger Agreement at its August 12, 1987 meeting.

The Merger will, however, have an initial dilutive effect on PacifiCorp's earnings per share and book value per share, as illustrated in "SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION" and "COMPARATIVE PER SHARE FINANCIAL INFORMATION." Improvements in combined operating results anticipated from the Merger are expected to reduce the effects of this dilution, but the amount and timing of any such reduction will depend upon the ultimate allocation of any such benefits between the shareholders and the customers of the combined company. This allocation cannot yet be determined as it is dependent, in part, upon the actions of regulatory authorities. UP&L has not earned the rate of return allowed by state regulatory bodies in recent years. After evaluating the Merger, PacifiCorp's Board of Directors and management have concluded that the long-term benefits of the combination outweigh the expected short-term dilution.

The Board of Directors of PacifiCorp unanimously recommends that PacifiCorp shareholders vote FOR the approval of the Merger Agreement.

*UP&L.* The Board of Directors of UP&L (UP&L Board) and management have been considering various corporate and financial alternatives to improve UP&L's competitive position. These considerations were prompted by unfavorable economic conditions in UP&L's service territory and an excess of generating capacity in the region, which were causing reduced growth of retail sales, declines in both price and volume of wholesale sales, excess UP&L generating capacity and static operating revenues and net income. Controversies involving UP&L's coal mining operations have produced investigations and resulted in refunds which have further reduced net income. UP&L's management has taken steps to improve the competitive position of UP&L by implementing cost cutting measures.

The UP&L Board and management recognize UP&L's generating efficiency, low-cost sources of coal and its favorable geographic position and existing transmission system for access to markets for excess power in southern California and the Southwest, an area of power demand. Accordingly, the considerations and analysis have focused on how best to maximize UP&L's potential and utilization of its assets. The UP&L Board believes that the Merger will enable UP&L better to address the identified issues and, at the same time, maximize its operating and resource strengths.

In light of the concerns discussed above, the UP&L Board and management considered various corporate and financial alternatives, including joint operations with other utilities, corporate and financial restructuring and business combinations. In late 1986, UP&L engaged Kidder, Peabody to assist in these considerations. In the second quarter of 1987, following discussions with UP&L's advisers, PacifiCorp expressed an interest in engaging in a transaction with UP&L and requested an opportunity to meet with

the UP&L Board at an appropriate time. In July, PacifiCorp entered into a confidentiality agreement with UP&L which provided for confidential treatment of information furnished by UP&L for evaluation in the context of a merger and that PacifiCorp would not propose a merger without the prior approval of UP&L.

At its July 14, 1987 meeting, the UP&L Board received presentations by management and UP&L's advisers as to strategic alternatives available to it. The UP&L Board also met with representatives of PacifiCorp, who explained their company's interest in the possibility of a merger with UP&L. The UP&L Board also met with a representative of Public Service Company of New Mexico (PNM), a publicly-held utility, which had previously expressed an interest in UP&L (and which had entered into a confidentiality agreement with UP&L similar to that entered into with PacifiCorp), and with representatives of certain neighboring utilities who discussed their views with respect to joint operations—other than a business combination—being studied by UP&L. At the direction of the UP&L Board, management and its advisers continued their study of the various strategic alternatives.

At its July 28, 1987 meeting, the UP&L Board agreed to receive acquisition proposals from PacifiCorp and PNM. After the receipt of such proposals, UP&L issued a press release announcing that it had asked Kidder, Peabody to study the proposals and the UP&L Board's intention to consider these proposals at a future meeting. Between that date and August 7, representatives of UP&L and its advisers met with representatives of PacifiCorp and PNM, negotiated proposed terms of merger with each and exchanged further information concerning the advantages and feasibility of such mergers. During this period, several other parties made inquiries concerning the possibility of a merger or other transaction with UP&L, but no other offers were received by UP&L.

At a meeting which commenced on August 7, 1987, the UP&L Board was presented with the proposals which management and its advisers had negotiated with PNM and PacifiCorp. The PacifiCorp proposal contemplated a share exchange designed to provide common shareholders of UP&L with a minimum of $32 and a maximum of $36 of PacifiCorp Common Stock, subject to termination if the PacifiCorp Common Stock price was less than $33.70. The PNM proposal contemplated a share exchange designed to provide common shareholders of UP&L with a minimum of $34.10 and a maximum of $37.70 of PNM common stock, subject to termination if the PNM common stock price was less than $28.125 or more than $34.375. Both proposals were conditioned on, among other things, the receipt of requisite regulatory approvals, including, in the case of PNM, approval of its previously announced corporate restructuring.

The UP&L Board considered the terms and conditions of each of the proposals and, among other things, the underlying values of the securities being offered and the projected market performance of such securities, the long-term growth potential of PNM and PacifiCorp, the potential for operational efficiencies, other benefits of a combination of UP&L with either of such companies, the long-term growth potential of UP&L, either alone or pursuant to the joint operations being studied with several neighboring utilities, the performance of UP&L Common Stock which might result from UP&L remaining an independent company, and the prospects of obtaining necessary regulatory approvals. Based upon its analysis of these matters, the UP&L Board indicated that neither of the proposals was satisfactory to it, although it was more favorably inclined, at that time, toward the PacifiCorp proposal, but only if agreement could be reached with PacifiCorp as to a more satisfactory conversion ratio, the elimination of payments by UP&L in the event that a merger should not be concluded and certain other matters.

Between August 7 and August 12, 1987, representatives of UP&L advised representatives of PacifiCorp of the UP&L Board's response, and sought to negotiate more favorable terms of the merger proposal. During this period, PNM withdrew its proposal.

The UP&L Board reconvened on August 12 and, in consultation with management and its advisers, considered the terms and conditions of a Merger Agreement which had been negotiated with PacifiCorp. Management reported that the negotiations with PacifiCorp had resulted in, among other things, an improvement in the conversion ratio, which would provide UP&L common shareholders with a minimum of $32.25 (unless the UP&L Board of Directors elects not to terminate the Merger Agreement if the PacifiCorp Closing Price is $33.70 or less) and a maximum of $38 of PacifiCorp common stock, and the elimination of payments by UP&L in the event that a merger should not be concluded. After considering the matter, the UP&L Board approved and authorized the Merger Agreement.

The UP&L Board based its decision that a merger with PacifiCorp would be in the best interests of UP&L and its shareholders, customers and service areas on a variety of considerations, including (i) the market performance of the common stock of PacifiCorp, (ii) the underlying value of PacifiCorp's common stock and the prospects for such stock appreciating after a combination with UP&L, (iii) the diversification and long-term growth potential of PacifiCorp's businesses, (iv) the opportunity for the UP&L common shareholders to receive a premium over existing market values for their shares and the potential for additional long-term appreciation, (v) the continued presence of UP&L, as an operating division of PacifiCorp, with headquarters in Salt Lake City, and (vi) the benefits discussed above which are expected to result from the combined operations of UP&L and PacifiCorp.

The Board of Directors of UP&L unanimously recommends that UP&L shareholders vote FOR the approval of the Merger Agreement.

**Opinions of Financial Advisers**

*Opinion of PacifiCorp's Financial Adviser.* PacifiCorp has retained First Boston as its financial adviser in connection with the Merger. PacifiCorp selected First Boston on the basis of such firm's expertise and its prior investment banking relationships with PacifiCorp. First Boston is a nationally recognized investment banking firm with extensive experience evaluating transactions such as those contemplated by the Merger Agreement. First Boston has delivered to the Board of Directors of PacifiCorp its written opinion dated October 29, 1987 to the effect that, as of the date of such opinion, the conversion ratios of PacifiCorp Common Stock and UP&L Common Stock into Merging Corp. Common Stock in the Merger are fair to the shareholders of PacifiCorp from a financial point of view. The conversion ratios were agreed to by PacifiCorp after negotiations with UP&L and consultation with First Boston. First Boston has not considered, and its opinion does not cover, the fairness, from a financial point of view, of ratios for conversion of UP&L Common Stock into Merging Corp. Common Stock in excess of .957.

The opinion of First Boston states that it is rendered on the basis of market conditions prevailing as of the date of the opinion, that First Boston is not giving its opinion as to what the value of Merging Corp. Common Stock actually will be when it is issued to the UP&L shareholders in the Merger and that, because of the large amount of Merging Corp. Common Stock being issued in the Merger and other factors, such securities may trade initially at prices below those at which they would trade on a fully distributed basis. In addition, the opinion of First Boston states that First Boston has assumed that the value of the PacifiCorp Common Stock is equivalent to its market price. In rendering its opinion, First Boston took into account certain strategic benefits arising from the Merger as expressed to First Boston by management of PacifiCorp. See "THE MERGER—Background of and Reasons for the Merger; Recommendations of the Boards of Directors." In preparing its opinion, First Boston relied upon the accuracy and completeness of the information reviewed by it and did not attempt to verify such information independently or to make any independent evaluation or appraisal of the assets of PacifiCorp or UP&L nor was it furnished any such appraisals. Neither PacifiCorp nor UP&L nor any affiliate thereof imposed any limitation upon the scope of First Boston's investigation with respect to the transactions contemplated by the Merger Agreement. The complete text of First Boston's opinion is reprinted as Appendix B to this Joint Proxy Statement/Prospectus and should be read in its entirety by PacifiCorp shareholders.

For First Boston's services in connection with the Merger, PacifiCorp has agreed to pay First Boston a maximum fee of up to $4,000,000. Of this amount, $500,000 became payable upon delivery of the fairness opinion, $1,500,000 will become payable on consummation of the Merger and First Boston may receive up to $2,000,000 of additional compensation if mutually agreed by PacifiCorp and First Boston, depending upon the services rendered. In addition, PacifiCorp has agreed to reimburse First Boston for its out-of-pocket expenses, including the reasonable fees and disbursements of its legal counsel (such fees not to exceed $100,000), incurred with respect to its engagement as financial adviser, and to indemnify First Boston against certain liabilities, including liabilities under federal securities laws, relating to or arising out of such engagement.

In addition to advising PacifiCorp in connection with the Merger, First Boston has from time to time over the past several years acted as financial adviser to PacifiCorp and its affiliates and as underwriter in connection with the registration of securities of PacifiCorp and certain of its affiliates, and has received customary compensation for such services.

*Opinion of UP&L's Financial Adviser.* UP&L has retained Kidder, Peabody to act as its financial adviser in connection with the Merger. Kidder, Peabody assisted UP&L in connection with [redacted] participated in the negotiations between UP&L and PacifiCorp leading to the Merger Agreement. UP&L also consulted with Kidder, Peabody with respect to various corporate alternatives presented to UP&L during the period prior to the execution of the Merger Agreement. Kidder, Peabody has delivered to UP&L its written opinion, dated October 29, 1987, to the effect that, as of the date of such opinion and subject to the matters discussed below, the conversion ratios of UP&L Common Stock and PacifiCorp Common Stock into Merging Corp. Common Stock are fair to the holders of UP&L Common Stock from a financial point of view and the ratios for conversion of UP&L Preferred Stock into Merging Corp. Preferred Stock are fair to the holders of UP&L Preferred Stock from a financial point of view. Kidder, Peabody was not requested to consider, and expresses no opinion as to, the fairness of the Common Stock conversion ratios if consummation of the Merger results in the receipt by UP&L's Common shareholders of consideration having a value (determined as set forth in its opinion) of less than $32.25 for each share of UP&L Common Stock.

For purposes of its opinion, Kidder, Peabody assumed that the value of the PacifiCorp Common Stock is equal to its market value, and that the value of the Merging Corp. Common Stock to be issued in the Merger, at the time of issuance, will also be equal to the market value of an equivalent amount of PacifiCorp Common Stock prior to the Merger. Kidder, Peabody's opinion is based on market and other conditions prevailing at the date thereof, and it has expressed no opinion as to the actual value of the Merging Corp. Common Stock or Merging Corp. Preferred Stock or the ratings of the Merging Corp. Preferred Stock upon issuance or as to the prices at which the Merging Corp. Common Stock may initially trade as opposed to the prices at which it would trade on a fully distributed basis. The opinion of Kidder, Peabody states that it is rendered based upon and subject to its reliance, without independent verification, upon the accuracy and completeness of all financial and other information in this Joint Proxy Statement/Prospectus or that was otherwise publicly available or furnished to Kidder, Peabody by UP&L or PacifiCorp. In connection with its opinion, Kidder, Peabody reviewed, among other things, financial and other information, including information provided during discussions with the managements of UP&L and PacifiCorp and certain internal financial and operating data, including financial projections. In addition, Kidder, Peabody had discussions with certain members of the managements of UP&L and PacifiCorp and reviewed and analyzed the ongoing commitments of UP&L and PacifiCorp for the construction and operation of power facilities, as well as the impact a joint dispatch of such power facilities would have on customers and shareholders. Kidder, Peabody also compared certain financial and securities data of UP&L and PacifiCorp with various other companies whose securities are publicly traded, reviewed historical stock prices and trading volumes of the Common Stock of UP&L and PacifiCorp, reviewed prices and premiums paid in other similar transactions and conducted other financial studies, analyses and investigations. Neither UP&L nor PacifiCorp nor any affiliate thereof imposed any limitation upon the scope of Kidder, Peabody's investigation with respect to the transactions contemplated by the Merger Agreement. A copy of Kidder, Peabody's written opinion is reprinted as Appendix C to this Joint Proxy Statement/Prospectus and should be reviewed in its entirety for a more complete explanation of such matters.

Kidder, Peabody is a nationally recognized investment banking firm. As part of its investment banking business, it is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Kidder, Peabody was selected by UP&L's Board of Directors on the basis of such experience and such firm's prior investment banking relationships with UP&L.

For Kidder, Peabody's services as financial adviser to UP&L in connection with the Merger, UP&L has paid Kidder, Peabody a retainer fee of $150,000 and has further agreed to pay Kidder, Peabody a transaction fee equal to 0.5 percent of the aggregate fair market value of the consideration received in the Merger by UP&L's shareholders, subject to the limitation that if the PacifiCorp Closing Price exceeds $36, the fee to be paid to Kidder, Peabody will be equal to the fee which would have been payable had the PacifiCorp Closing Price been $36. UP&L has also agreed to reimburse Kidder, Peabody for its reasonable out-of-pocket expenses (including fees and disbursements of its counsel) and to indemnify Kidder, Peabody against certain liabilities, including liabilities under federal securities laws, relating to or arising out of such engagement.

In addition to advising UP&L in connection with the Merger and other corporate alternatives, Kidder, Peabody has from time to time in the past acted as financial adviser to UP&L and as underwriter in connection with public offerings of UP&L securities and has received customary compensation for such services. Kidder, Peabody has also acted from time to time in the past as underwriter in connection with public offerings of PacifiCorp securities and has received customary compensation for such services.

**Interests of Certain Persons in the Merger**

The directors of PacifiCorp immediately prior to the Merger and three other persons who are directors of UP&L will become directors of Merging Corp. See "OPERATIONS AFTER THE MERGER" for information concerning a committee of the Board of Directors of Merging Corp., including former UP&L directors, to be formed to oversee the UP&L Division. The executive officers of PacifiCorp and Pacific Power immediately prior to the Merger will serve in such capacities for Merging Corp. after the Merger. In addition, each person who is an executive officer of UP&L at the time of the Merger will be appointed as an executive officer of the UP&L Division. The Merger Agreement further contemplates that Merging Corp. will assume UP&L's obligations under employment agreements with certain officers of UP&L. See "THE MERGER—Employee Benefits." Merging Corp. will also assume certain indemnification obligations with respect to PacifiCorp and UP&L officers, directors, employees, agents and others for a period of six years following the Merger and maintain existing or comparable director and officer liability insurance for a period of three years following the Merger.

**Certain Federal Income Tax Consequences**

The following discussion summarizes certain federal income tax consequences associated with the Merger under the Internal Revenue Code of 1986, as amended (Code). This summary does not purport to be comprehensive with respect to federal income tax considerations and does not discuss state, local or foreign tax laws. Each PacifiCorp or UP&L shareholder should therefore consult his or her own tax adviser regarding the tax consequences and any tax reporting requirements of the Merger in light of his or her own tax situation.

The Merger is conditioned on receipt of the legal opinion of Stoel Rives Boley Jones & Grey, counsel to PacifiCorp, with respect to certain tax consequences of the Merger. This tax opinion will be substantially in the form attached as Exhibit B to Appendix A to this Joint Proxy Statement/Prospectus. This summary reflects the views of Stoel Rives Boley Jones & Grey. However, both the opinion and this summary are conditioned upon substantial representations by PacifiCorp, UP&L and Merging Corp., are based upon current law and assume that the Merger is carried out as described herein. If those representations are not accurate, if changes are made to current law or if the Merger is not carried out as described herein, the federal income tax consequences of the Merger may vary from those described in the opinion and in this summary. Neither this summary nor the legal opinion is binding on the Internal Revenue Service (IRS), and no rulings have been or will be requested from the IRS with respect to the Merger.

*Tax Treatment of PacifiCorp, UP&L and Merging Corp.* In the opinion of counsel, the Merger of PacifiCorp and UP&L into Merging Corp. will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Code, and PacifiCorp, UP&L and Merging Corp. each will be a "party to a reorganization" within the meaning of Section 368(b) of the Code. Accordingly, it is anticipated that PacifiCorp and UP&L will recognize no gain or loss on transfer of their assets to Merging Corp. in the Merger, and Merging Corp. will recognize no gain or loss on receipt of the assets of PacifiCorp and UP&L in the Merger.

*Carryover of Tax Attributes.* In the opinion of counsel, the bases and holding periods of PacifiCorp and UP&L assets in the hands of Merging Corp. will include their bases and holding periods in the hands of PacifiCorp and UP&L immediately before the Merger. It is anticipated that Merging Corp. will succeed to and take into account the earnings and profits and other items of PacifiCorp and UP&L described in Section 381(c) of the Code, subject to the conditions and limitations of Sections 381, 382 and 383 of the Code and the regulations thereunder and the consolidated return regulations.

*Alternative Minimum Tax.* Under Section 56(f)(1) of the Code, 50 percent of the excess of a corporation's income reported on its financial statements over its alternative minimum taxable income (as

otherwise calculated) will be added to the corporation's alternative minimum taxable income, which may result in application of an alternative minimum tax. Such an increase in alternative minimum taxable income is called a book income adjustment. Counsel are of the opinion that the alternative minimum taxable income of PacifiCorp and UP&L for their taxable years including the Effective Time of the Merger will not be increased by a book income adjustment resulting from an increase in financial statement income of PacifiCorp or UP&L that is attributable solely to the transfer of assets by PacifiCorp or UP&L to Merging Corp. in the Merger. This opinion of counsel is rendered in reliance on, and is expressly conditioned on receipt of, a professional opinion rendered by Deloitte Haskins & Sells, the independent auditors for PacifiCorp and UP&L, that the Merger will constitute a pooling of interests and will not create income or loss for PacifiCorp, UP&L or Merging Corp. for financial accounting purposes, including for purposes of financial statements filed with the Securities and Exchange Commission. Counsel have expressed no opinion with respect to any other possible alternative minimum tax consequences of the Merger. It is possible that a book income adjustment could result from the fact that the taxable year of UP&L will end for federal income tax purposes when the Merger occurs, while the income of Merging Corp. for the year of the Merger for financial accounting purposes will include all of the income of UP&L for that year, both before and after the Merger. The application to the Merger of existing temporary regulations regarding book income adjustments is not clear.

*Tax Consequences to Holders of PacifiCorp Stock.* As discussed above under "THE MERGER—Conversion Ratios," each share of PacifiCorp Common Stock will be converted into one share of Merging Corp. Common Stock and each share of PacifiCorp Preferred Stock will be converted into one share of Merging Corp. Preferred Stock. In the opinion of counsel, no income, gain or loss will be recognized by the holders of PacifiCorp stock on their receipt of Merging Corp. stock solely in exchange for their PacifiCorp stock in the Merger.

Counsel are of the opinion that the aggregate basis of the Merging Corp. stock received in the Merger by a holder of PacifiCorp stock who receives solely Merging Corp. stock in the Merger in exchange for PacifiCorp stock will include the aggregate basis of the PacifiCorp stock exchanged therefor. The holding period of the Merging Corp. stock received in the Merger by a holder of PacifiCorp stock will include the holding period for the PacifiCorp stock exchanged therefor, if the PacifiCorp stock was held as a capital asset at the Effective Time of the Merger. It is anticipated that if a holder of PacifiCorp stock makes an adequate identification of the basis and date of acquisition of each lot or share of PacifiCorp stock exchanged in the Merger and of the Merging Corp. stock received for that lot or share, that shareholder's basis in and holding period for the Merging Corp. stock received will be determined by reference to the specific lots or shares exchanged. This means that PacifiCorp shareholders who can adequately distinguish among their lots or shares of PacifiCorp stock for tax purposes with respect to basis and holding period can continue to make those distinctions among corresponding lots or shares of Merging Corp. stock.

In general, Section 306(c) of the Code provides that certain stock received as a tax-free stock dividend, or in a corporate reorganization or separation having substantially the same effect as a tax-free stock dividend, is "Section 306 stock." "Section 306 stock" also includes stock received in exchange for "Section 306 stock" in a tax-free transaction and stock whose basis is determined with reference to the basis of "Section 306 stock." With certain exceptions and limitations, the amount realized on a disposition or redemption of "Section 306 stock" is treated as ordinary income. Provided that the PacifiCorp Preferred Stock owned by a shareholder is not "Section 306 stock," counsel are of the opinion that the Merging Corp. Preferred Stock received by that shareholder will not be "Section 306 stock" within the meaning of Section 306(c) of the Code.

*Tax Consequences to Holders of UP&L Stock.* As discussed above under "THE MERGER—Conversion Ratios," each share of UP&L Common Stock will be converted into a number of shares of Merging Corp. Common Stock determined according to the formula set forth in that section and each share of UP&L Preferred Stock will be converted into one share of Merging Corp. Preferred Stock. In the opinion of counsel, no income, gain or loss will be recognized by the holders of UP&L stock on their receipt of Merging Corp. stock solely in exchange for their UP&L stock in the Merger.

Counsel are of the opinion that the aggregate basis of the Merging Corp. stock received in the Merger by a holder of UP&L stock who receives solely Merging Corp. stock in exchange for UP&L stock will

include the aggregate basis of the UP&L stock exchanged therefor. The holding period of the Merging Corp. stock received in the Merger by a holder of UP&L stock will include the holding period for the UP&L stock exchanged therefor, if the UP&L stock was held as a capital asset at the Effective Time of the Merger. It is anticipated that if a holder of UP&L stock makes an adequate identification of the basis and date of acquisition of each lot or share of UP&L stock exchanged in the Merger and of the Merging Corp. stock received for that lot or share, the holder's basis in and holding period for the Merging Corp. stock received will be determined by reference to the specific lots or shares exchanged. This means that UP&L shareholders who can adequately distinguish among their lots or shares of UP&L stock for tax purposes with respect to basis and holding period can continue to make those distinctions among corresponding lots or shares of Merging Corp. stock.

Counsel are of the opinion that, under the current ruling position of the IRS, payment of cash to a holder of UP&L Common Stock in the Merger in lieu of fractional share interests of Merging Corp. Common Stock will be treated as if the fractional shares were distributed as part of the exchange and were then redeemed by Merging Corp. The IRS position is that the cash payments will be treated as having been received as distributions in full payment in exchange for the stock redeemed as provided in Section 302(a) of the Code. As a result, it is anticipated that a shareholder receiving cash in lieu of a fractional share will recognize gain or loss in an amount equal to the difference between the amount of cash received and the portion of his or her basis for the UP&L Common Stock that is allocable to the fractional share.

Section 306 of the Code provides that, with certain exceptions and limitations, the amount realized on a disposition or redemption of "Section 306 stock" is treated as ordinary income. Provided that the UP&L Preferred Stock owned by a shareholder is not "Section 306 stock," counsel are of the opinion that the Merging Corp. Preferred Stock received by that shareholder will not be "Section 306 stock" within the meaning of Section 306(c) of the Code.

As discussed below under "RIGHTS OF DISSENTING SHAREHOLDERS," holders of UP&L Preferred Stock have dissenters' rights that may entitle them to receive in cash the fair value of their UP&L Preferred Stock. Where solely cash is received in the Merger by a dissenting holder of UP&L Preferred Stock in exchange for the dissenting holder's UP&L Preferred Stock, it is anticipated that the cash payment will be treated as having been received as a distribution in redemption of the UP&L Preferred Stock subject to the provisions and limitations of Section 302 of the Code. If, after the Merger, the dissenting holder of UP&L Preferred Stock neither owns Merging Corp. stock directly nor is considered to own Merging Corp. stock pursuant to the constructive ownership rules of Section 318(a) of the Code, counsel are of the opinion that the redemption will be treated as a distribution in full payment in exchange for the UP&L Preferred Stock as provided in Section 302(a) of the Code.

If Section 302(a) applies, it is anticipated that a dissenting holder of UP&L Preferred Stock receiving cash in lieu of Merging Corp. Preferred Stock will recognize gain or loss in an amount equal to the difference between the amount of cash received and the holder's basis in the UP&L Preferred Stock surrendered. Section 302(a) may not apply if, after the Merger, the dissenting holder owns Merging Corp. stock or is considered to own such stock by reason of the attribution rules of Section 318(a). Section 318(a) provides that individuals will be considered to own stock owned by certain other persons and entities including certain family members, partnerships, estates, trusts or Subchapter S corporations of which they are partners, beneficiaries or stockholders, and other corporations of which they are 50 percent or more shareholders. In addition, under Section 318(a) partnerships, estates, trusts and Subchapter S corporations generally are considered to own stock owned by their partners, beneficiaries and shareholders, and other corporations generally are considered to own stock owned by their 50 percent shareholders. If Section 302(a) does not apply, treatment of cash received in lieu of Merging Corp. Preferred Stock by a dissenting holder of UP&L Preferred Stock will be governed by Section 301(c) of the Code. To the extent of earnings and profits, the cash will be treated as a dividend and the recipient will recognize income for federal income tax purposes in an amount equal to the amount so treated.

*Withholding Requirements.* Under the backup withholding rules, unless an exemption applies under applicable law and regulations, Merging Corp. will be required to withhold, and will withhold, 20 percent of any cash payment made in lieu of shares of UP&L stock unless the shareholder or other payee provides

its taxpayer identification number (Social Security number, in the case of individual shareholders, or employer identification number) and certifies that the number is correct. Each UP&L shareholder and, if applicable, each other payee should complete and sign the substitute Form W-9 to be included with the transmittal letter provided by the Exchange Agent so as to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proven in a manner satisfactory to Merging Corp.

THE SUMMARY FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS BASED UPON CURRENT LAW AND IS INTENDED FOR GENERAL INFORMATION ONLY. BECAUSE OF THE INDIVIDUAL NATURE OF TAX CONSEQUENCES, EACH SHAREHOLDER IS URGED TO CONSULT HIS OR HER OWN TAX ADVISER CONCERNING THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO SUCH SHAREHOLDER, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND OTHER TAX LAWS.

**Representations, Warranties and Covenants**

The Merger Agreement contains representations, warranties and covenants by each of PacifiCorp and UP&L with respect to, among other things, corporate status, financial statements and tax and regulatory filings, status as a public utility, the absence of status as a public utility holding company, the absence of material undisclosed liabilities, the absence of litigation or defaults under existing agreements, the absence of material adverse changes since June 30, 1987 in its business, properties, financial position or results of operations and compliance with laws.

UP&L has agreed to conduct its business prior to the Merger in the ordinary and usual manner and to maintain its existing relationships with suppliers, customers, employees and business associates. In addition, UP&L has agreed that during the period prior to the Merger it will not (and will not permit any of its subsidiaries to), without the prior written consent of PacifiCorp, (a) amend its articles of incorporation or bylaws; (b) enter into any new arrangements with or increase any compensation or benefits payable to its employees other than in accordance with past practice and other than certain employment contracts with executive officers and special letters of employment with certain other officers and key employees (See "THE MERGER—Employee Benefits"); (c) split, combine or reclassify any of the outstanding shares of capital stock or otherwise change its authorized capitalization; (d) declare, set aside or pay any dividend with respect to its capital stock, except UP&L's regular quarterly $.58 cash dividend on its Common Stock and the required quarterly cash dividend on each series of outstanding UP&L Preferred Stock; (e) issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or other rights to acquire, shares of its capital stock; (f) redeem, purchase or otherwise acquire shares of its capital stock except in the ordinary course of business consistent with past practice, merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it, or liquidate or sell or dispose of all or a substantial part of its assets; (g) incur, assume or guarantee indebtedness (other than for projects ongoing or already committed to and short-term indebtedness incurred in the ordinary course of business) in excess of an aggregate of $5,000,000, or repay existing indebtedness except in the ordinary course of business or as required by the terms thereof; or (h) enter into any material transaction or make any material commitment, other than certain transactions with Nevada Power Company or Intermountain Power Agency, or take or omit to take any action that could be reasonably anticipated to have a material adverse effect on the business, properties, financial condition or results of operations of UP&L and its subsidiaries taken as a whole.

PacifiCorp has agreed that during the period prior to the Merger it will not, without the prior written consent of UP&L, (a) amend its Restated Articles of Incorporation, as amended, or By-Laws; (b) split, combine or reclassify any of the outstanding shares of its capital stock or otherwise change its authorized capitalization; (c) declare, set aside or pay any dividends with respect to the shares of its capital stock, except for the regular quarterly cash dividends on its Common Stock (at a rate not lower than the indicated annual rate of $2.52 per share) and the required per share quarterly cash dividend on each class and series of its outstanding Preferred Stock; (d) take or omit to take any action which could be reasonably anticipated to have a material adverse effect on the business, properties, financial condition or

results of operations of PacifiCorp and its subsidiaries taken as a whole; or (e) merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it or liquidate or sell or dispose of all or a substantial part of its assets.

PacifiCorp and UP&L have also agreed that, during the period prior to the Merger, neither will encourage, initiate or solicit any inquiries or the making of any proposal with respect to any acquisition, business combination or purchase of all or a part of its business or assets and, except as required by applicable law, neither will engage in negotiations concerning or provide any confidential information to or have any discussions with any person relating to such a transaction.

PacifiCorp, UP&L and Merging Corp. have each agreed not to take any action that would subject it to regulation under the Public Utility Holding Company Act of 1935 or that would prevent the Merger from being accounted for as a pooling of interests.

Merging Corp. has agreed to conduct its operations after the Merger in accordance with the Merger Agreement in respect of certain matters as described under "OPERATIONS AFTER THE MERGER" and "THE MERGER—Employee Benefits."

The respective representations, warranties and covenants of PacifiCorp, UP&L and Merging Corp. will expire on the Closing Date (as defined below under "THE MERGER—Closing; Effective Time"), except for certain covenants that, by their terms, survive after the Merger.

**Conditions**

The obligations of PacifiCorp, UP&L and Merging Corp. to consummate the Merger are subject to the satisfaction at or prior to the Closing Date of certain conditions, including (a) the approval of the Merger Agreement by the shareholders of PacifiCorp and UP&L; (b) receipt of all necessary regulatory approvals; (c) the effectiveness of the Registration Statement filed with the Commission relating to the shares of Merging Corp. capital stock issuable in the Merger and the absence of Commission action to suspend the effectiveness of the Registration Statement; (d) the approval for listing on the New York and Pacific Stock Exchanges of the shares of Merging Corp. Common Stock to be issued in the Merger; (e) the absence of any material adverse change in the business, properties, financial condition or results of operation of PacifiCorp or UP&L subsequent to August 12, 1987, except as permitted or contemplated by the Merger Agreement; (f) the accuracy on the Closing Date of the representations and warranties of PacifiCorp, UP&L and Merging Corp. contained in the Merger Agreement and performance by such parties of all covenants in the Merger Agreement to be performed on or before the Closing Date; (g) the absence of any suit or proceeding by any governmental authority seeking injunctive or other material relief in connection with the Merger; (h) the absence of litigation restraining, enjoining or prohibiting the consummation of the Merger; (i) the receipt of all nongovernmental consents and approvals necessary for consummation of the Merger; and (j) the receipt of various accountants' letters, legal opinions, fairness opinions and other documents. See "THE MERGER—Representations, Warranties and Covenants." Any party may waive any unsatisfied condition to its obligation to consummate the Merger in whole or in part to the extent permitted by applicable law.

**Regulatory Filings and Approvals**

Approvals of the Federal Energy Regulatory Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Montana Public Service Commission, the Public Utility Commission of Oregon, the Utah Public Service Commission, the Washington Utilities and Transportation Commission and the Public Service Commission of Wyoming are required in connection with the Merger. By statute, these bodies are empowered to determine whether a merger of public utilities providing service in their jurisdictions or the issuance of securities in such merger is compatible with the public interest. Certain of these jurisdictions must also approve rate tariffs of Merging Corp. or transfer of allocated territories to Merging Corp. PacifiCorp and UP&L have filed requests for approval with these authorities, which applications are pending. Certain of the state regulatory bodies have set hearing dates for the applications of PacifiCorp and UP&L. Hearings for the states of Montana, Oregon, Utah and Wyoming have been set for December 7, 1987, January 7, 1988, February 29, 1988 and December 14, 1987,

respectively. These dates are subject to change. The Bonneville Power Administration, a number of customers, and public power agencies and associations, among others, are seeking to intervene in certain of these proceedings. PacifiCorp and UP&L anticipate that various of the intervenors will oppose the Merger or seek to condition the Merger in a manner favorable to the intervenors.

It is a condition to each of the parties' obligations to consummate the Merger that all necessary regulatory approvals be in full force and effect and not subject to any condition which requires the taking or refraining from taking of any action which would have a material adverse effect on UP&L and its subsidiaries and PacifiCorp and its subsidiaries taken as a whole. Either PacifiCorp or UP&L may unilaterally terminate the Merger Agreement if any governmental or regulatory body, the consent of which is a condition to the obligation of such party to consummate the Merger, has determined not to grant its consent and all appeals of such determination have been taken and have been unsuccessful. See "THE MERGER—Amendment and Termination."

The Merger is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder, which provide that certain transactions may not be consummated until required information has been furnished to the Antitrust Division of the Department of Justice (Antitrust Division) and The Federal Trade Commission (FTC) and certain waiting periods have been satisfied. PacifiCorp and UP&L have filed the required information and material with the Antitrust Division and the FTC. The waiting period expired on October 21, 1987. The expiration of the waiting periods does not preclude the Antitrust Division or the FTC from challenging the Merger on antitrust grounds. The parties have agreed to use their best efforts to obtain all necessary regulatory approvals.

**Closing; Effective Time**

If the Merger Agreement is approved by the requisite vote of shareholders of PacifiCorp and UP&L, and the other conditions to the Merger are satisfied or waived, a closing (Closing) will be held on that date (Closing Date) that is five calendar days after the 10 trading days following the day on which the last of the conditions to Closing has been fulfilled or waived, or such other date as is agreed among the parties. On the Closing Date or as soon thereafter as practicable, the parties will execute and file Articles of Merger with the appropriate state authorities. The Merger will be consummated and become effective (Effective Time) at the latest of the time (i) Articles of Merger are filed with the Secretary of State of the State of Maine, (ii) Articles of Merger are filed with the Corporation Division of the office of the Secretary of State of the State of Oregon, and (iii) a Certificate of Merger is issued by the Division of Corporations and Commercial Code of the State of Utah.

Although PacifiCorp and UP&L believe that the regulatory approvals will be obtained by mid-1988 after the Special Meetings have been held, the timing of receipt of these approvals cannot be predicted with certainty. Market fluctuations in the price of PacifiCorp Common Stock after the Special Meetings will affect the conversion ratio applicable to the UP&L Common Stock.

**Exchange of Stock Certificates**

After the Effective Time, each outstanding certificate representing PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall be deemed, for all corporate purposes, to evidence ownership of the shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares of PacifiCorp Common and Preferred Stock and UP&L Common and Preferred Stock were converted at the Effective Time; **provided, however, that no Merging Corp. dividends with respect to such shares of UP&L Common and Preferred Stock will be paid until the holder has surrendered the certificates, at which time the holder will be paid the amount of dividends, if any, without interest, that have become payable with respect to the shares of Merging Corp. Common and Preferred Stock into which such shares have been converted.** Following the Merger, there will be no further registration of transfers of shares of UP&L capital stock on the records of PacifiCorp or UP&L.

As soon as practicable after the Effective Time, the Exchange Agent will send a transmittal form and instructions to each UP&L shareholder of record at the Effective Time, advising the shareholder of the procedure for surrendering UP&L stock certificates in exchange for certificates representing shares of

Merging Corp. capital stock. Cash will be paid in lieu of fractional shares. CERTIFICATES REPRESENTING UP&L STOCK SHOULD NOT BE SURRENDERED UNTIL THE TRANSMITTAL FORM IS RECEIVED. After the Merger, holders of PacifiCorp stock will not be required to deliver their certificates to the Exchange Agent or to Merging Corp.'s transfer agent in order to receive payment of dividends.

**Amendment and Termination**

The Merger Agreement may be amended, modified or supplemented at any time prior to or at the Closing by written agreement approved by the Boards of Directors of PacifiCorp, UP&L and Merging Corp., except that after approval of the Merger Agreement by shareholders of PacifiCorp and UP&L, no such amendment, modification or supplement may be made which in any way materially adversely affects the rights of any class of shareholders without a further vote by the affected shareholders to approve such amendment, modification or supplement.

The Merger Agreement may be terminated at any time prior to the Effective Time, before or after the approval by the shareholders of PacifiCorp or UP&L, (a) by mutual consent of the respective Boards of Directors of PacifiCorp and UP&L, or (b) unilaterally by PacifiCorp or UP&L if (i) the Merger has not become effective for any reason on or before August 12, 1988, (ii) the requisite vote of shareholders of either PacifiCorp or UP&L is not obtained at their respective meetings of shareholders called to approve the Merger Agreement or at any adjournment thereof; (iii) any governmental or regulatory body, the consent of which is a condition to the obligations of UP&L and PacifiCorp to consummate the Merger, shall have determined not to grant its consent and all appeals of such determination have been taken and have been unsuccessful, or (iv) any court of competent jurisdiction in the United States or any State has issued any order, judgment or decree restraining, enjoining or otherwise prohibiting the Merger and such order, judgment or decree has become final and nonappealable.

In addition, the Board of Directors of UP&L has the option to terminate the Merger Agreement if the PacifiCorp Closing Price is equal to or less than $33.70, unless the Boards of Directors of PacifiCorp and Merging Corp., within 48 hours after receipt of notice of termination from UP&L, agree that each share of UP&L Common Stock will be converted into that number of shares of Merging Corp. Common Stock determined by dividing $32.25 by the PacifiCorp Closing Price. See "THE MERGER—Conversion Ratios."

**Restrictions on Sales by Affiliates**

The shares of Merging Corp. stock to be issued pursuant to the Merger have been registered under the Securities Act of 1933, as amended (1933 Act). Such shares will be freely transferable under the 1933 Act, except for shares issued to any person who may be deemed to be an affiliate of PacifiCorp or UP&L (as such term is defined in Rule 145 under the 1933 Act) (Affiliates). Affiliates may not sell their shares of Merging Corp. stock acquired in connection with the Merger except pursuant to (a) an effective registration statement under the 1933 Act covering such shares, (b) paragraph (d) of Rule 145, or (c) any other applicable exemption under the 1933 Act. Commission guidelines indicate further that the pooling of interests method of accounting will generally not be challenged on the basis of sales by Affiliates of the acquiring or acquired company if they do not dispose of any of the shares of the corporation they own or shares of a corporation they receive in connection with a merger during the period beginning 30 days before the merger and ending when financial results covering at least 30 days of post-merger operations of the combined entity have been published. PacifiCorp and UP&L have agreed to use their best efforts to cause to be delivered to Merging Corp. written agreements of directors and other Affiliates of each company containing appropriate representations and commitments intended to ensure compliance with the 1933 Act and preserve Merging Corp.'s ability to treat the Merger as a pooling of interests.

**Employee Benefits**

Merging Corp. has agreed that, in order to promote continuity, understanding and good faith relations with UP&L employees, it will implement no changes in existing administration and design of UP&L

compensation and benefit programs for a period of one year, unless approved by the committee of the Board of Directors of Merging Corp. formed to oversee the operations of the UP&L Division. During this time, Pacific Power and the UP&L Division will undertake a joint study of recommended changes, with the intent that the employees of the UP&L Division will be provided a total benefits and compensation package that is no less favorable than the package provided to employees of Pacific Power.

Merging Corp. has also agreed to honor all employment contracts entered into by UP&L with UP&L executive officers and certain other UP&L officers. Employment contracts authorized under the Merger Agreement continue existing salary and benefit conditions for one- or three-year terms, extend for certain officers the benefits of the 1987 UP&L Early Retirement Program and provide for an incentive of not more than an additional one and one-half years' salary, depending on the contract term and whether or not the officer is an executive officer, if the officer remains with the UP&L Division for the duration of the contract and then retires. Any such three-year contract will provide for two year-to-year extensions upon mutual agreement of the parties. As of the date hereof, the UP&L Board of Directors has not offered employment contracts to any of its officers.

**Accounting Treatment**

The Merger is expected to qualify as a "pooling of interests" for accounting and financial reporting purposes. Under this method of accounting, the recorded assets and liabilities of PacifiCorp and UP&L will be carried forward to the combined corporation at their recorded amounts; income of the combined corporation will include income of PacifiCorp and UP&L for the entire fiscal year in which the combination occurs; and the reported income of the separate corporations for prior periods will be combined and restated as income of the combined corporation. It is a condition precedent to consummation of the Merger that Deloitte Haskins & Sells, the independent certified public accountants for PacifiCorp and UP&L, issue their opinion that the Merger will be accounted for as a pooling of interests.

**Listing on Stock Exchanges**

Applications will be filed for listing the shares of Merging Corp. Common Stock to be issued in the Merger on the New York and Pacific Stock Exchanges. It is a condition to the consummation of the Merger that such shares be approved for listing on the New York and Pacific Stock Exchanges, subject to official notice of issuance. It is also anticipated that application will be made for admission of the shares of Merging Corp. Common Stock to the Official List of The Stock Exchange, London.

## THE REINCORPORATION

### General

Shareholders of PacifiCorp are being asked to consider and vote on approval of the Reincorporation Agreement in order to preserve PacifiCorp's ability to change its state of incorporation in the event that the Merger Agreement is terminated for any reason, including the failure to obtain necessary shareholder or regulatory approvals. In the Reincorporation, PacifiCorp alone would merge with and into Merging Corp. which would succeed by operation of law to the assets, liabilities and operations of PacifiCorp. The Articles of Incorporation of Merging Corp. would simultaneously be amended to be substantially the same as the Restated Articles that would be adopted in the Merger, except as described under "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp."

The Board of Directors and management of PacifiCorp believe that the change in state of incorporation from Maine to Oregon would provide benefits to PacifiCorp and its shareholders. The move would result in a reduction in the federal regulation of the issuance of PacifiCorp securities, would enable PacifiCorp to benefit from the recently revised Oregon Business Corporation Act and would reduce the expenses and inconveniences associated with having a distant state of incorporation. See "THE MERGER—Role of Merging Corp. in the Merger" and "COMPARISON OF SHAREHOLDER RIGHTS." Although the Board of Directors of PacifiCorp believes that all requisite approvals will be obtained and the Merger will be consummated, approval of the Reincorporation Agreement would allow that portion of the transaction to proceed if, for any reason, the Merger does not occur.

The Board of Directors of PacifiCorp unanimously recommends that PacifiCorp shareholders vote FOR the Reincorporation Agreement.

### Terms of the Reincorporation

At the time the Reincorporation becomes effective, each share of PacifiCorp Common Stock outstanding immediately prior to the Reincorporation will be converted into one share of Merging Corp. Common Stock and each share of PacifiCorp Preferred Stock will be converted into one share of Merging Corp. Preferred Stock bearing the same name and having generally the same rights and preferences as the share of PacifiCorp Preferred Stock being converted. PacifiCorp shareholders will not be required to surrender their stock certificates in the Reincorporation. The Reincorporation will not result in tax to PacifiCorp shareholders.

After the Reincorporation, Merging Corp., renamed PacifiCorp, will continue the business previously conducted by PacifiCorp with its existing officers and directors and under restated articles of incorporation and bylaws substantially similar to those that would be adopted in the Merger.

The Board of Directors of Merging Corp. will consist of the 17 persons currently serving on the Board of Directors of PacifiCorp. Information concerning these persons is included under "OPERATIONS AFTER THE MERGER—Management."

In the Reincorporation, the obligations of PacifiCorp under certain indemnity agreements with directors, officers and others will be assumed by Merging Corp. and Merging Corp. will enter into substantially similar indemnity agreements based on Oregon law. See "OPERATIONS AFTER THE MERGER—Indemnity Agreements." Merging Corp. will additionally assume and succeed to PacifiCorp's obligations under all other contracts and employee benefit plans.

Consummation of the Reincorporation is conditioned upon approval of the Reincorporation Agreement by PacifiCorp shareholders and receipt of all necessary governmental and nongovernmental approvals, including approval by state regulatory authorities in the jurisdictions in which PacifiCorp operates.

The Reincorporation Agreement may be amended, modified or supplemented at any time prior to or at the closing of the Reincorporation by the Boards of Directors of PacifiCorp and Merging Corp. The Boards of Directors may also agree to terminate the Reincorporation Agreement and abandon the Reincorporation prior to its consummation. No amendment, modification or supplement may be made which in any way materially adversely affects the rights of any class of PacifiCorp shareholders without a further vote by the affected shareholders approving such amendment, modification or supplement.

## INFORMATION CONCERNING MERGING CORP.

### General

At the Effective Time, PacifiCorp and UP&L will be merged with and into Merging Corp., which will succeed by operation of law to the assets, liabilities and operations of PacifiCorp and UP&L. Renamed PacifiCorp, Merging Corp. will continue the combined operations of PacifiCorp and UP&L. The Merger will also have the effect of changing PacifiCorp's state of incorporation from Maine to Oregon. If only the Reincorporation occurs, PacifiCorp alone will be merged with and into Merging Corp. which will succeed to the assets, liabilities and operations of PacifiCorp.

Merging Corp. was incorporated under the laws of the State of Oregon on August 11, 1987. The authorized capital of Merging Corp. consists of 100 shares of common stock, all of which are outstanding and owned by PacifiCorp. These shares will be cancelled at the Effective Time or upon the Reincorporation. Merging Corp. has not engaged in any business operations prior to the date of this Joint Proxy Statement/Prospectus other than signing the Merger Agreement and the Reincorporation Agreement. It has no assets other than the $1,000 subscription price for its initial stock, has no liabilities or obligations other than pursuant to the Merger Agreement and the Reincorporation Agreement, and is not involved in any legal proceedings. Merging Corp.'s principal executive offices are located at the same address as the principal executive offices of PacifiCorp, and its Board of Directors and executive officers currently consist of persons who are executive officers of PacifiCorp.

### Role of Merging Corp. in the Merger

The Merger has been structured as a merger of UP&L and PacifiCorp with and into Merging Corp. in order to maximize the ability of the combined company to finance with first mortgage bonds after the Merger and effect the change in the state of incorporation of PacifiCorp from Maine to Oregon. As with most utilities, PacifiCorp and UP&L have used first mortgage bonds to finance a substantial part of their utility properties. A direct merger of UP&L into PacifiCorp might have restricted PacifiCorp's ability to finance in this manner because certain obligations under the respective mortgages of the companies would have been more onerous. See "OPERATIONS AFTER THE MERGER—Limitation on the Issuance of Additional Preferred Stock and First Mortgage Bonds."

Merging Corp. was formed in Oregon to take advantage of certain benefits that are expected to accrue to the combined entity as a result of incorporation in that state. An important benefit from the proposed change in PacifiCorp's state of incorporation would be the resulting reduction in federal regulation. Under the Federal Power Act, the Federal Energy Regulatory Commission (FERC) is granted jurisdiction over the issuance of securities by public utilities. There is an exemption from such regulation for any utility whose securities issuances are regulated by a state agency in a state in which it is incorporated and operating. Because PacifiCorp does not operate as a public utility in Maine, its current state of incorporation, it must obtain FERC approval for the issuance of its securities. Incorporating in Oregon, where the combined entity will be regulated as a public utility, will eliminate this FERC regulatory requirement.

As an Oregon corporation, Merging Corp. will be subject to the corporation laws of Oregon, rather than the laws of Maine. Oregon has recently revised its corporation statutes with the stated intent to facilitate the conduct of business in the state. Among other things, the new Oregon law eliminated limitations on distributions to shareholders based on specified surplus accounts and added new provisions relating to director liability and control share acquisitions, advantages not present under Maine law. See "COMPARISON OF SHAREHOLDER RIGHTS." Incorporation in Oregon will also establish the combined entity's state of incorporation in the same state as its corporate headquarters and principal executive offices. This should enable it to benefit more directly from the Oregon legislative process, eliminate the need to monitor legislation in Maine, and reduce certain expenses and inconveniences associated with having a distant state of incorporation.

**Articles of Incorporation of Merging Corp.**

At the Effective Time, the Articles of Incorporation of Merging Corp. will be amended and restated (Restated Articles). Portions of the Restated Articles are attached as Exhibit B to Appendix A to this Joint Proxy Statement/Prospectus. A vote to approve the Merger Agreement will have the effect of approving the Restated Articles. The Restated Articles are substantially the same as the Restated Articles of Incorporation, as amended, of PacifiCorp currently in effect, with the following exceptions:

(a) The maximum number of directors has been increased from 18 to 21 to accommodate the addition of three UP&L directors. See "THE MERGER—Interests of Certain Persons in the Merger" and "OPERATIONS AFTER THE MERGER";

(b) Five new series of No Par Serial Preferred Stock have been added, having rights and preferences substantially the same as the rights and preferences of the five series of UP&L Preferred Stock outstanding, except as described under "COMPARISON OF SHAREHOLDER RIGHTS" and "MERGING CORP. CAPITAL STOCK";

(c) A provision has been added which limits the liability of directors to Merging Corp. and its shareholders for monetary damages for certain conduct as directors. (See "Provision Limiting Director Liability.") PacifiCorp shareholders approved a substantially similar provision at the July 1987 Annual Meeting of Stockholders, but the provision has not been put into effect because implementing legislation has not yet been adopted in Maine;

(d) A provision has been added which provides indemnification to directors and officers to the fullest extent not prohibited by Oregon law. A provision similar in effect, but based on Maine law, is included in PacifiCorp's existing By-Laws;

(e) An additional 100,000,000 shares of Common Stock have been authorized. See "Authorized Common Stock";

(f) The stated corporate purposes for which the company has been organized have been abbreviated to provide that Merging Corp. may engage in any lawful activities for which corporations may be organized under the Oregon Business Corporation Act, including general operations as a public utility. As a result, Merging Corp. may engage in all activities currently permitted under PacifiCorp's Restated Articles of Incorporation, as amended; and

(g) Other nonsubstantive changes have been made, including elimination of unnecessary references to historical data.

If only the Reincorporation is effected, the Articles of Incorporation of Merging Corp. will be amended and restated as described above, except that the number of directors will not be increased, no new series of No Par Serial Preferred Stock will be added, no additional shares of Common Stock will be authorized and no reference will be made to UP&L.

For a discussion of the differences between shareholder rights under Oregon, Maine and Utah law and under the articles of incorporation of Merging Corp., PacifiCorp and UP&L, see "COMPARISON OF SHAREHOLDER RIGHTS."

*Provision Limiting Director Liability.* The liability limitation included in the Restated Articles protects Merging Corp. directors from personal liability for monetary damages to Merging Corp. or its shareholders for certain actions as a director. The provision does not eliminate or limit a director's liability for (i) any breach of the director's duty of loyalty, (ii) any act or omission not in good faith or involving intentional misconduct or knowing violation of law, (iii) an unlawful distribution under the Oregon Business Corporation Act or (iv) any transaction from which the director derived an improper personal benefit. The provision incorporates the exclusions from liability protection included in the Oregon Business Corporation Act, and will incorporate any changes to these exclusions made through amendments to that Act. Accordingly, the protection provided to Merging Corp. directors could be expanded or contracted by legislative action without the further approval of shareholders.

In recent years, legal proceedings against directors relating to decisions made by them on behalf of the corporations they serve have significantly increased in number, cost of defense and level of damages claimed. Directors' and officers' liability insurance has traditionally provided protection to directors involved in such proceedings by covering the expenses of litigation, judgments and amounts paid in settlement in a wide range of situations. However, at the same time that directors' exposure to litigation has increased, traditional levels of directors' and officers' liability insurance have become either unavailable or available only with dramatically increased premiums. Although PacifiCorp and UP&L have to date been able to obtain insurance coverage for directors on a basis they believe acceptable, they have experienced the increase in premiums and decrease in total coverage which are symptomatic of the problems in the liability insurance industry. The increased exposure to litigation costs and risks and the reduced availability of insurance coverage have made service as a director of a public company considerably less attractive to experienced and qualified individuals.

Although neither PacifiCorp nor UP&L has experienced any difficulties in attracting qualified candidates, the Boards of Directors of PacifiCorp and UP&L believe that in order to enable Merging Corp. to attract and retain qualified directors, Merging Corp. must take all reasonable measures available to reduce the personal risk of service as a director. The Boards of Directors also believe directors of PacifiCorp and UP&L are, and directors of Merging Corp. will be, motivated to exercise due care in managing Merging Corp.'s affairs primarily by a concern for the best interests of that company and its shareholders rather than by fear of potential monetary damage awards. The Boards of Directors are concerned that increased exposure to personal liability may, instead of benefiting Merging Corp. through increased director responsibility, lead to overcautious decision-making that will ultimately impair corporate governance. By offering relief from the possibility that difficult corporate decisions made by directors in good faith will be second-guessed by a court evaluating such judgments with the benefit of hindsight, the Boards of Directors believe the protection provided by this provision will encourage directors to continue to make independent decisions in good faith on behalf of Merging Corp. and, as a result, will contribute to the long-term quality and stability of that company's governance.

Although the provision provides directors of Merging Corp. with protection against monetary liability arising out of actions as a director, the provision has no effect on the availability of equitable remedies such as injunction or rescission based upon director misconduct. In addition, the provision does not eliminate or limit liability of directors in connection with causes of action brought under the federal securities laws. See "OPERATIONS AFTER THE MERGER—Indemnity Agreements" for a discussion of agreements relating to indemnification to be entered into with Merging Corp. directors, officers and others.

*Authorized Common Stock.* PacifiCorp's Restated Articles of Incorporation, as amended, authorize the issuance of up to 200,000,000 shares of PacifiCorp Common Stock. The Merging Corp. Restated Articles will authorize the issuance of up to 300,000,000 shares of Merging Corp. Common Stock if the Merger is consummated.

After the Merger, there will be approximately 176,500,000 shares of authorized but unissued Merging Corp. Common Stock, assuming that the conversion ratio applied in the Merger was .909. Of this amount, approximately 5,700,000 shares will be reserved for issuance under certain employee and shareholder plans of PacifiCorp to be adopted by Merging Corp. The Boards of Directors of PacifiCorp and UP&L believe that an increase in the total authorized shares of Common Stock is needed to make additional shares available for future issues in connection with new equity financings, pursuant to dividend reinvestment and employee benefit programs, stock dividends, stock splits, acquisitions or for other corporate purposes. Issuance of the authorized but unissued stock would not necessarily require further shareholder action, but would require authorization by the Board of Directors of Merging Corp. and could be subject to prior authorization by state utility regulatory authorities and to exchange listing requirements.

Any future issuance of shares of the additional Common Stock may, among other things, have a dilutive effect on earnings per share of Common Stock and on the equity and voting rights of those holding Common Stock at the time such shares are issued. Merging Corp. has no specific plans for any major issuance of Common Stock other than in the Merger or the Reincorporation.

Although not intended as an anti-takeover device, the increase in authorized shares might be considered as having the effect of discouraging tender offers or other acquisitions of Merging Corp. stock, since the issuance of additional shares of Common Stock would dilute the voting power of the Common Stock then outstanding. The Restated Articles contain provisions that, among other things, (i) require certain Business Transactions (as defined) with a Related Person (as defined) to be approved by at least 80 percent of the votes of shareholders voting as a single class; and (ii) establish a classified Board of Directors and require the favorable vote of at least 80 percent of the votes entitled to be cast at an election of directors to remove a director without cause and at least two-thirds of such votes to remove a director with cause. In addition, the Board of Directors of Merging Corp. has the authority to establish the conversion rights of the Merging Corp. Serial Preferred Stock and the conversion and voting rights of its No Par Serial Preferred Stock.

The Boards of Directors of PacifiCorp and UP&L have no knowledge of any effort or intent to accumulate Merging Corp. or PacifiCorp securities or to obtain control of Merging Corp. or PacifiCorp. The proposed provision is not part of a plan by management to adopt a series of anti-takeover provisions. See "COMPARISON OF SHAREHOLDER RIGHTS—Regulation of Control Share Acquisitions" for information concerning a provision of Oregon law that will apply to Merging Corp. after the Merger or the Reincorporation.

## OPERATIONS AFTER THE MERGER

At the Effective Time, Merging Corp. will be renamed PacifiCorp and will operate under the Restated Articles, portions of which are attached as Exhibit B to Appendix A to this Joint Proxy Statement/Prospectus, and bylaws that generally conform to those of PacifiCorp. Merging Corp. will thereafter continue the businesses previously conducted by PacifiCorp and UP&L.

### Operation of UP&L Division

Under the terms of the Merger Agreement, Merging Corp. will operate the business formerly conducted by UP&L as a division of Merging Corp. under the name "Utah Power & Light Company" (UP&L Division), maintaining its headquarters in Salt Lake City, Utah. In addition, Merging Corp. will appoint a committee of its Board of Directors having delegated authority and responsibility for the UP&L Division similar to that of the committee of the PacifiCorp Board of Directors that oversees the operations of Pacific Power. The committee's delegated responsibilities with respect to the business and operations of the UP&L Division will include review and approval of annual construction budgets, disposition of utility property, policies and practices concerning customers and personnel matters.

This new committee will consist of persons who are members of the Board of Directors of Merging Corp. and certain other persons appointed by the Merging Corp. Board of Directors. It is currently anticipated that the President of Pacific Power will serve on the committee and that each member of the UP&L Board of Directors immediately prior to the Merger will be afforded an opportunity to serve as a member of such committee.

### Management

*Directors.* The Board of Directors of Merging Corp. currently consists of Don C. Frisbee, Chairman of the Board and Chief Executive Officer of PacifiCorp. Immediately after the Effective Time, the Board of Directors of Merging Corp. will consist of the 17 persons who currently serve as directors of PacifiCorp. Three persons who are members of the UP&L Board of Directors immediately prior to the Merger will be selected and will be elected or appointed to the Merging Corp. Board of Directors after the Effective Time. The directors will be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible. The directors will serve staggered three-year terms, such that the terms of approximately one-third of the directors will expire in each year. The names and ages of the persons who will serve as directors of Merging Corp. immediately after the Effective Time until their successors shall be duly elected and qualified, their business experience for the past five years, and the year their term as director of Merging Corp. will expire are set forth below. PacifiCorp will name a replacement for any person who is unable or unwilling to serve as a director. A vote to approve the Merger Agreement will have the effect of approving the persons listed below or such replacements as directors of Merging Corp.

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| CHARLES M. BINKLEY, age 67 ..... (Class I, 1988) | President and Chief Executive Officer, Alaska Riverways, Inc., a river towing company, Fairbanks, Alaska; Chairman of the Board, Northwest Navigation Co., Anchorage, Alaska; Director of Pacific Telecom, Inc.<br>Director of PacifiCorp since 1979. |
| C. M. BISHOP, JR., age 62 ..... (Class III, 1990) | President, Pendleton Woolen Mills, a manufacturer of woolen articles, Portland, Oregon; Director of First Interstate Bank of Oregon, N.A. and Willamette Industries, Inc.<br>Director of PacifiCorp since 1970. |
| F. PAUL CARLSON, age 49..... (Class I, 1988) | President and Chief Executive Officer, OGC Corporation, a holding company for businesses in research and development, land development, telecommunications and building investments since 1985; Chairman of the Board (formerly President) and Chief Executive Officer, Oregon Graduate Center for Study and Research, a research and education center, Beaverton, Oregon, 1979 to date; Director of Tektronix, Inc.<br>Director of PacifiCorp since 1983. |

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| C. TODD CONOVER, age 48 ..... (Class II, 1989) | Partner, Edgar, Dunn & Conover Inc., a general management consulting firm, and Partner, Conover & McNamar, Inc., a merchant banking company, San Francisco, California; previously Vice Chairman of Equitec Financial Group, Inc., a holding company for financial services companies and Chairman and Chief Executive Officer of Equitec Savings Bank, a subsidiary savings and loan association, Oakland, California, 1985-1986; U.S. Comptroller of the Currency, 1982-1985. Director of PacifiCorp since 1986. |
| RICHARD C. EDGLEY, age 51 ..... (Class II, 1989) | Managing Director, Finance and Records Department of The Church of Jesus Christ of Latter-day Saints; previously Vice President of Administration and Control for consumer non-foods operations, General Mills, 1977-1981. Director of PacifiCorp since October 14, 1987. |
| DON C. FRISBEE, age 63 ..... (Class III, 1990) | Chairman of the Board and Chief Executive Officer of PacifiCorp; Director of First Interstate Bancorp, First Interstate Bank of Oregon, N.A., Precision Castparts Corp., and Weyerhaeuser Company. Director of PacifiCorp since 1966. |
| JOHN C. HAMPTON, age 61..... (Class I, 1988) | Chairman and Chief Executive Officer of Hampton Resources, Inc., Portland, Oregon, and affiliated companies, forest products industries; Director of the Federal Reserve Bank of San Francisco. Director of PacifiCorp since 1983. |
| STANLEY K. HATHAWAY, age 63... (Class II, 1989) | Partner, Hathaway, Speight, Kunz, Trautwein & Barrett, Attorneys at Law, Cheyenne, Wyoming, 1975 to date; Secretary, U.S. Department of Interior, 1975; Governor of Wyoming, 1967-1975; Director of Apache Corporation, First Wyoming Bancorporation, and NERCO, Inc. Director of PacifiCorp since 1975. |
| BETTY E. HAWTHORNE, age 66 ..... (Class I, 1988) | Dean Emeritus (formerly Dean), College of Home Economics, Oregon State University, Corvallis, Oregon; Director of Curtice-Burns, Inc. Director of PacifiCorp since 1979. |
| WILLIAM D. HENDRY, age 67 ..... (Class I, 1988) | Retired, formerly President and Chief Executive Officer, Household Finance Corp., a financial services company. Director of PacifiCorp since 1986. |
| PHILIP H. KNIGHT, age 49..... (Class I, 1988) | President and Chairman of the Board of NIKE, Inc., manufacturer of sports apparel, Beaverton, Oregon. Director of PacifiCorp since 1984. |
| LOUIS B. PERRY, age 69 ..... (Class II, 1989) | Retired Chairman (formerly President), Standard Insurance Company, Portland, Oregon; Director of Tektronix, Inc., First Interstate Bank of Oregon, N.A., Willamette Industries, Inc., Pacific Telecom, Inc., Flight Dynamics, Inc., and American Network, Inc. Director of PacifiCorp since 1969. |
| EUGENE L. SHIELDS, age 68 ..... (Class III, 1990) | President, Shields Bag and Printing Co., a packaging manufacturer, Yakima, Washington. Director of PacifiCorp since 1979. |
| ROBERT A. SKOTHEIM, age 54 ..... (Class II, 1989) | President and Professor of History, Whitman College, Walla Walla, Washington, 1975 to present. Director of PacifiCorp since 1984. |
| A. W. SWEET, age 67 ..... (Class III, 1990) | Chairman of the Board (President and Chairman, 1960-1976), Western Bank, Coos Bay, Oregon; Director of Bohemia Inc. and NERCO, Inc. Director of PacifiCorp since 1979. |
| NANCY WILGENBUSCH, age 40 ..... (Class III, 1990) | President, Marylhurst College, Portland, Oregon; previously Vice President of Marketing and Public Affairs, College of Saint Mary, Omaha, Nebraska, 1981-1984. Director of PacifiCorp since 1986. |

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| ROY A. YOUNG, age 66..... (Class II, 1989) | Director, Office for Natural Resources Policy, Oregon State University, Corvallis, Oregon; previously President, Boyce Thompson Institute at Cornell University, Ithaca, New York, 1980-1986.<br>Director of PacifiCorp since 1974. |

*Officers.* The executive officers of PacifiCorp and the Pacific Power Division immediately prior to the Merger will serve in such capacities for Merging Corp. after the Merger. Information concerning these individuals, their share ownership and compensation and certain relationships and related transactions is contained in PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 1986 and in the PacifiCorp Proxy Statement for the 1987 Annual Meeting of Stockholders, which information is hereby incorporated by reference herein. Merging Corp. will also appoint each person who is an executive officer of UP&L immediately prior to the Merger (vice president, controller, treasurer or higher in title) to be an executive officer of the UP&L Division immediately after the Merger. Information concerning these persons, their share ownership and compensation and certain relationships and related transactions is included in the UP&L Annual Report on Form 10-K for the year ended December 31, 1986 and in the UP&L Proxy Statement for its 1987 Annual Meeting of Shareholders, which information is hereby incorporated by reference herein. See "AVAILABLE INFORMATION," "INCORPORATION BY REFERENCE" and "THE MERGER—Employee Benefits."

**Indemnity Agreements**

At the PacifiCorp July 1987 Annual Meeting of Stockholders, PacifiCorp shareholders approved an indemnity agreement to be entered into between PacifiCorp and each of its directors. The form of the indemnity agreement was attached to PacifiCorp's Proxy Statement for the 1987 Annual Meeting of Stockholders which Proxy Statement is incorporated herein by reference. See "INCORPORATION BY REFERENCE." PacifiCorp has entered into such agreements with its directors and certain officers and others who are not directors of PacifiCorp. The indemnity agreements were approved and entered into in response to recent increases in director exposure to liability, reduced availability of insurance and the resulting uncertainty over PacifiCorp's continued ability to attract and retain qualified directors and officers. See "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp." The obligations of PacifiCorp under these agreements will be assumed by Merging Corp. in the Merger. It is anticipated, however, that Merging Corp. will enter into substantially similar indemnity agreements (based on Oregon rather than Maine law) with its directors, members of the board committees overseeing the operations of the Pacific Power Division and the UP&L Division and with certain officers and others who are not directors or officers. Approval of the Merger Agreement effectively approves the indemnity agreements.

Consistent with the Restated Articles, which state that Merging Corp. shall indemnify directors, officers, employees and agents to the fullest extent not prohibited by law, the indemnity agreements are intended to create an obligation to indemnify to the fullest extent that a court may find to be consistent with public policy considerations. The indemnity agreements restate Merging Corp.'s obligation to indemnify to the full extent of the law, specifically provide for prompt advancement of expenses upon the delivery of a required affirmation and undertaking, set forth a procedure for indemnification and provide for partial indemnification of expenses, if appropriate under the circumstances. The indemnity agreements are more detailed, may provide more complete protection and may cover a larger class of persons than the indemnity provision in the Restated Articles.

**Dividends on Merging Corp. Stock**

It is anticipated that Merging Corp. will continue the current dividend policy of PacifiCorp to pay dividends on its Common Stock at the rate of $.63 per share per quarter ($2.52 per year). The amount, declaration and timing of dividends of Merging Corp. will be based upon the results of operations and financial condition of Merging Corp. and its subsidiaries and such other business considerations as the Board of Directors of Merging Corp. considers relevant. After the Merger, Merging Corp. will be subject to a provision in UP&L's existing first mortgage bond indenture which will limit cash dividends and other distributions to holders of Common Stock and repurchases of Common Stock. If the Merger had been effective as of June 30, 1987, approximately $394 million would have been available for these purposes at that date.

It is also anticipated that dividends on the Preferred Stock of Merging Corp. will be paid at the rates specified in the Restated Articles for such stock. These rates are the same as those currently in effect for the respective outstanding series of PacifiCorp and UP&L Preferred Stock. Such dividends will be cumulative from the end of the period for which dividends on the PacifiCorp Preferred Stock and UP&L Preferred Stock will have been paid prior to the Merger. Accordingly, the accumulation of dividends on the preferred stocks will be uninterrupted.

Holders of UP&L Common and Preferred Stock must surrender their certificates before they will be entitled to receive payment of Merging Corp. dividends. See "THE MERGER—Exchange of Stock Certificates."

**Limitations on Issuance of Additional Preferred Stock and First Mortgage Bonds**

The Restated Articles and the indentures under which PacifiCorp and UP&L issue first mortgage bonds each contain financial tests that must be met before Merging Corp. may issue preferred stock or first mortgage bonds, respectively. In connection with the Merger, Merging Corp. will assume all existing obligations under the PacifiCorp and UP&L indentures. Under the foregoing tests, as of June 30, 1987, after giving effect to the proposed Merger, Merging Corp. could have issued approximately $1.3 billion of additional Preferred Stock or approximately $1.3 billion principal amount of first mortgage bonds.

After the Merger, it is anticipated that Merging Corp. will enter into a new indenture to facilitate future financing with first mortgage bonds. Under the new indenture, it is expected that Merging Corp. will be authorized to issue either first mortgage bonds or bonds collateralized by first mortgage bonds issued under the existing PacifiCorp and UP&L indentures. The new indenture will also provide that the existing PacifiCorp and UP&L indentures may be discharged when no bonds are outstanding thereunder except those held by the trustee for the new indenture.

**Annual Meeting of Shareholders**

The bylaws of Merging Corp. will provide that the annual meeting of shareholders will be held on the second Wednesday in the month of July in each year, or on such other day in the month of July as the Board of Directors may fix. A shareholder proposal to be considered for inclusion in proxy material for Merging Corp.'s 1988 Annual Meeting of Shareholders must be received by Merging Corp. not later than February 5, 1988.

**Dividend Reinvestment Plan**

Both PacifiCorp and UP&L maintain dividend reinvestment and stock purchase plans under which all record holders of their common and, in the case of PacifiCorp, preferred stocks may reinvest dividends in shares of common stock of PacifiCorp and UP&L, respectively. Upon consummation of the Merger, the PacifiCorp Dividend Reinvestment and Stock Purchase Plan (PacifiCorp Plan) will be adopted by Merging Corp. (Merging Corp. Plan) and Merging Corp. will assume all obligations and responsibilities of PacifiCorp under that Plan. Effective upon the Merger, the UP&L Shareholders' Dividend Reinvestment and Stock Purchase Plan (UP&L Plan) will terminate and all shares held by the UP&L Plan for the account of participants will be converted into Merging Corp. Common Stock and distributed to such participants pursuant to the UP&L Plan. As record holders of Merging Corp. stock, persons who were participants in the UP&L Plan will be eligible to become participants in the Merging Corp. Plan.

The PacifiCorp Plan was recently amended to permit sales under that plan of either newly issued shares, treasury shares or shares purchased on the open market, or any combination thereof, at the election of PacifiCorp and to charge certain administrative fees and brokerage charges to participants. The PacifiCorp Plan, as amended, is described in a separate prospectus previously distributed to PacifiCorp shareholders and available to all participants in the PacifiCorp Plan. That prospectus is part of a Registration Statement filed with the Commission and is available from PacifiCorp upon request.

## RELATIONSHIPS BETWEEN THE PARTIES

PacifiCorp and UP&L have a long history of contract relationships resulting from geographical proximity, common regional utility interests and a significant diversity of loads and resources. The two electric systems have been directly interconnected since 1964, and both companies are members of various utility operating and planning organizations including the Northwest Power Pool, the Intercompany Pool and the Western System Coordinating Council. As a result of direct physical interconnection and common affiliation with power pooling and planning organizations, the companies have numerous bilateral and multiparty contract relationships covering typical utility business arrangements such as interconnection, the sale and purchase of power and transmission services. All contractual relationships between the parties have been entered into on the basis of arm's-length negotiations.

## INFORMATION CONCERNING PACIFICORP

PacifiCorp is a diversified enterprise that conducts its electric utility business under the name Pacific Power & Light Company (Pacific Power), and is the indirect owner, through Inner PacifiCorp, Inc. (a wholly owned subsidiary), of approximately 90% of NERCO, Inc. (NERCO), 87% of Pacific Telecom, Inc. (Pacific Telecom), 100% of PacifiCorp Credit, Inc. (PacifiCorp Credit) and 100% of PacifiCorp Finance, Inc. (PacifiCorp Finance). For the year ended December 31, 1986, 51.9% of PacifiCorp's operating revenues were derived from Pacific Power, while NERCO and Pacific Telecom contributed 24.5% and 23.6%, respectively. For the 12 months ended June 30, 1987, the contributions were 50.4%, 26.4% and 23.2%, respectively.

Through Pacific Power, PacifiCorp provides electric service to more than 240 communities through 3 regional offices and 54 district offices located throughout service areas aggregating approximately 63,000 square miles. Pacific Power serves no major city except for a portion of Portland, Oregon. Its electric service territory is generally rural and suburban and principally agricultural, although it does serve several subregional business centers, and the existing industrial base is diversified. PacifiCorp also sells surplus power to other utilities. The geographical distribution of its electric operating revenues for the year ended December 31, 1986 was Oregon, 55.6%; Wyoming, 21.2%; Washington, 14.3%; California, 5.0%; Montana, 3.0%; and Idaho, 0.9%.

The sources of Pacific Power's generation in 1986 were coal, 70%, and hydro, 30%. Pacific Power's sales are seasonal with demand peaking during the winter months as residential heating needs increase.

Pacific Telecom provides local and long-distance telephone and other communications services in Alaska and local telephone service and access to the long-distance network in seven other western states and Wisconsin. Pacific Telecom's long lines carrier, Alascom, Inc., provides intrastate and interstate long-distance communications within Alaska and between Alaska and the rest of the world through satellite and terrestrial facilities. NERCO is engaged in the mining of coal and precious metals and the exploration and development of minerals, precious metals, and oil and gas in several regions of the United States and Canada. PacifiCorp Credit is primarily engaged in the leasing of capital and business equipment and lending against receivables and inventories. PacifiCorp Finance is engaged in providing equity investments in leveraged lease transactions.

Additional information concerning PacifiCorp and its subsidiaries is contained in PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 1986 and its other public filings. See "AVAILABLE INFORMATION."

## INFORMATION CONCERNING UP&L

UP&L is a public utility headquartered in Salt Lake City, Utah. UP&L is engaged principally in the business of generating and selling electric energy in Utah, southeastern Idaho and southwestern Wyoming. The service area of the company has an estimated population of 2,000,000 and comprises approximately 90,000 square miles extending approximately 500 miles from Ashton, Idaho to the Arizona border. Service is furnished at retail in Salt Lake City and Ogden, Utah, and over 400 other cities and towns, and at wholesale to customers serving other communities. UP&L also sells surplus power to other utilities. The geographical distribution of its electric operating revenues for the year ended December 31, 1986 was Utah, 82%; Idaho, 10%; and Wyoming, 8%.

The sources of UP&L's generation in 1986 were coal, 92%, hydro, 7%, and geothermal, 1%. Of the coal burned in generation, 57% came from UP&L-owned mines.

UP&L's sales are seasonal, with demand peaking during summer months when irrigation and cooling systems are heavily used in UP&L's service territory.

Additional information concerning UP&L and its subsidiaries is contained in UP&L's Annual Report on Form 10-K for the year ended December 31, 1986 and its other public filings. See "AVAILABLE INFORMATION."

## PRO FORMA FINANCIAL INFORMATION

The following pro forma condensed balance sheets and income statements give effect to the Merger described elsewhere in this Joint Proxy Statement/Prospectus. These statements are prepared on the basis of accounting for the Merger as a pooling of interests. These condensed statements combine PacifiCorp and UP&L's historical balance sheets at June 30, 1987 and December 31, 1986 and their historical income statements for the six and 12 months ended June 30, 1987 and each of the three years in the period ended December 31, 1986. The following pro forma data are not necessarily indicative of the results of operations or the financial condition which would actually have been reported had the Merger been in effect during those periods or which may be reported in the future. Future results will reflect costs associated with the Merger currently estimated to be $18.5 million. Pro forma amounts were calculated assuming that no cash will be paid for fractional shares or upon exercise of dissenters' rights. The statements should be read in conjunction with the accompanying notes and with the respective historical consolidated financial statements and notes thereto of PacifiCorp and UP&L which have been incorporated by reference in this Joint Proxy Statement/Prospectus. As described under "INFORMATION CONCERNING MERGING CORP.," Merging Corp. has engaged in no operations since it was formed and has no material assets, liabilities or revenues. Accordingly, no separate balance sheet or other financial statements of Merging Corp. are presented herein.

### Combined Pro Forma Condensed Balance Sheets of PacifiCorp and UP&L
### (Unaudited)

### (Millions of Dollars)

| | At June 30, 1987 | | | At December 31, 1986 | | |
|---|---|---|---|---|---|---|
| | Historical | | Pro Forma Totals | Historical | | Pro Forma Totals |
| | PacifiCorp | UP&L | | PacifiCorp | UP&L | |
| ASSETS | | | | | | |
| Property, Plant & Equipment | $5,642 | $3,486 | $9,128 | $5,543 | $3,436 | $8,979 |
| Less Accumulated Depreciation & Amortization | 1,650 | 789 | 2,439 | 1,541 | 741 | 2,282 |
| Construction Work in Progress | 130 | 52 | 182 | 104 | 46 | 150 |
| Current Assets | 886 | 390 | 1,276 | 725 | 298 | 1,023 |
| Other Assets | 591 | 95 | 686 | 690 | 102 | 792 |
| Total Assets | $5,599 | $3,234 | $8,833 | $5,521 | $3,141 | $8,662 |
| CAPITALIZATION AND LIABILITIES | | | | | | |
| Capitalization | | | | | | |
| Common Equity | $1,756 | $1,068 | $2,824 | $1,676 | $1,050 | $2,726 |
| Preferred Stock | | | | | | |
| With Mandatory Redemption Provisions | 56 | — | 56 | 67 | — | 67 |
| Without Mandatory Redemption Provisions | 199 | 50 | 249 | 149 | 135 | 284 |
| Long-Term Debt & Capital Lease Obligations | 2,095 | 1,362 | 3,457 | 2,206 | 1,196 | 3,402 |
| Total Capitalization | 4,106 | 2,480 | 6,586 | 4,098 | 2,381 | 6,479 |
| Current Liabilities | 674 | 200 | 874 | 598 | 221 | 819 |
| Deferred Credits | 727 | 554 | 1,281 | 737 | 539 | 1,276 |
| Minority Interest | 92 | — | 92 | 88 | — | 88 |
| Total Capitalization and Liabilities | $5,599 | $3,234 | $8,833 | $5,521 | $3,141 | $8,662 |

## Combined Pro Forma Condensed Income Statements of PacifiCorp and UP&L
## (Unaudited)

### (Millions of dollars except per share amounts)

| | Twelve Months Ended June 30, 1987 | | | Year Ended December 31, 1986 | | |
|---|---|---|---|---|---|---|
| | Historical | | | Historical | | |
| | PacifiCorp | UP&L | Pro Forma Totals | PacifiCorp | UP&L | Pro Forma Totals |
| Revenues | $2,160 | $ 982 | $3,140(1) | $2,067 | $ 985 | $3,051(1) |
| Expenses | 1,495 | 704 | 2,197(1) | 1,408 | 718 | 2,125(1) |
| Income from Operations | 665 | 278 | 943 | 659 | 267 | 926 |
| Interest Expense | 203 | 124 | 327 | 217 | 112 | 329 |
| Interest Capitalized | (20) | (3) | (23) | (30) | (3) | (33) |
| Losses from Equity & Other Investments—Net | 27 | — | 27 | 23 | — | 23 |
| Minority Interest & Other (Income) Expense | — | 4 | 4 | 21 | (6) | 15 |
| Income Taxes | 185 | 58 | 243 | 177 | 61 | 238 |
| Net Income | 270 | 95(2) | 365(2) | 251 | 103(2) | 354(2) |
| Preferred Dividend Requirements | 19 | 11 | 30 | 20 | 19 | 39 |
| Earnings Available for Common | $ 251 | $ 84(2) | $ 335(2) | $ 231 | $ 84(2) | $ 315(2) |
| Earnings per Common Share | $ 3.69 | $ 1.45(2) | $ 2.78 to 2.72(2)(3) | $ 3.45 | $ 1.48(2) | $ 2.66 to 2.60(2)(3) |

| | Year Ended December 31, 1985 | | | Year Ended December 31, 1984 | | |
|---|---|---|---|---|---|---|
| | Historical | | | Historical | | |
| | PacifiCorp | UP&L | Pro Forma Totals | PacifiCorp | UP&L | Pro Forma Totals |
| Revenues | $1,985 | $1,042 | $3,022(1) | $1,786 | $ 968 | $2,751(1) |
| Expenses | 1,410 | 654 | 2,059(1) | 1,186 | 600 | 1,783(1) |
| Income from Operations | 575 | 388 | 963 | 600 | 368 | 968 |
| Interest Expense | 225 | 111 | 336 | 223 | 112 | 335 |
| Interest Capitalized | (43) | (3) | (46) | (37) | (11) | (48) |
| Gain from Issuance of Subsidiaries' Stock | — | — | — | (6) | — | (6) |
| Losses from Equity & Other Investments—Net | 35 | — | 35 | 44 | — | 44 |
| Minority Interest & Other (Income) Expense | 5 | (5) | — | (9) | 52 | 43 |
| Income Taxes | 108 | 129 | 237 | 142 | 100 | 242 |
| Net Income | 245 | 156 | 401 | 243 | 115(4) | 358(4) |
| Preferred Dividend Requirements | 29 | 21 | 50 | 44 | 20 | 64 |
| Earnings Available for Common | $ 216 | $ 135 | $ 351 | $ 199 | $ 95(4) | $ 294(4) |
| Earnings per Common Share | $ 3.39 | $ 2.46 | $ 3.09 to 3.02(3) | $ 3.39 | $ 1.78(4) | $ 2.74 to 2.68(3)(4) |

| | Six Months Ended June 30, 1987 | | |
|---|---|---|---|
| | Historical | | |
| | PacifiCorp | UP&L | Pro Forma Totals |
| Revenues | $1,069 | $ 490 | $1,557(1) |
| Expenses | 750 | 312 | 1,060(1) |
| Income from Operations | 319 | 178 | 497 |
| Interest Expense | 97 | 68 | 165 |
| Interest Capitalized | (7) | (1) | (8) |
| Losses from Equity & Other Investments—Net | 13 | — | 13 |
| Minority Interest & Other (Income) Expense | (16) | 5 | (11) |
| Income Taxes | 95 | 44 | 139 |
| Net Income | 137 | 62 | 199 |
| Preferred Dividend Requirements | 9 | 3 | 12 |
| Earnings Available for Common | $ 128 | $ 59 | $ 187 |
| Earnings per Common Share | $ 1.87 | $1.00 | $ 1.54 to 1.51(3) |

**Notes to Combined Pro Forma Condensed Balance Sheets and Income Statements**

**(Unaudited)**

The Pro Forma Financial Statements include the following:

(1) Pro forma revenue and expenses for the twelve months ended June 30, 1987, years ended December 31, 1986, 1985 and 1984 and six months ended June 30, 1987 include revenue adjustments of $2, $1, $5, $3 and $2 million, respectively, for elimination of revenue for power sales to UP&L by PacifiCorp.

(2) In December 1986, UP&L reflected a fuel adjustment of $43.7 million after taxes (a reduction of $.78 per common share for the year ended December 31, 1986 and $.76 per common share for the twelve months ended June 30, 1987). On a pro forma basis this adjustment would be $.37 and $.36 per share for the year ended December 31, 1986 and $.36 per common share for the twelve months ended June 30, 1987 (assuming conversion ratios between .909 and .957).

(3) Adjustment of earnings per share data to reflect the conversion of each share of UP&L's outstanding common stock for (a) .909 share or (b) .957 share of Merging Corp. Common Stock. The weighted average number of shares used for purposes of the pro forma calculations was (a) 121,361,000 and (b) 124,154,000 for the six months ended June 30, 1987; (a) 120,329,000 and (b) 123,097,000 for the twelve months ended June 30, 1987; (a) 118,388,000 and (b) 121,111,000 for the year ended December 31, 1986; (a) 113,728,000 and (b) 116,361,000 for the year ended December 31, 1985 and (a) 106,955,000 and (b) 109,508,000 for the year ended December 31, 1984.

(4) UP&L 1984 results reflected the write-off of UP&L's investment in the Hunter Fourth Unit, a cancelled 400 mw coal-fired generating plant, amounting to $33.6 million after taxes, a reduction of $.63 per common share, or $.31 per common share on a pro forma basis (assuming conversion ratios between .909 and .957).

## COMPARISON OF SHAREHOLDER RIGHTS

Upon consummation of the Merger, shareholders of PacifiCorp and UP&L will become shareholders of Merging Corp., an Oregon corporation, and their rights will be governed by the Oregon Business Corporation Act and the Restated Articles and bylaws of Merging Corp. The Restated Articles are available upon request and certain portions thereof are attached to this Joint Proxy Statement/Prospectus as Exhibit B to Appendix A. Upon the Reincorporation, shareholders of PacifiCorp would become shareholders of Merging Corp. and the Merging Corp. Articles of Incorporation would be amended and restated to be substantially the same as the Restated Articles, except as described under "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp."

Certain significant differences between the rights of shareholders of PacifiCorp and UP&L and the rights of shareholders of Merging Corp. are set forth below.

### Distributions to Shareholders

An Oregon corporation may make distributions to its shareholders (including dividends and distributions in connection with stock repurchases and redemptions) as authorized by its board of directors at any time, except that no distributions may be made if, after giving effect to the distribution, (i) the corporation would be unable to pay its debts as they became due in the usual course of business or (ii) the sum of the corporation's total liabilities and (unless the corporation's articles of incorporation permit otherwise) the amount required to satisfy the preferential rights of preferred shareholders on liquidation would exceed the corporation's total assets. Under the Restated Articles of Merging Corp., distributions may be made when and as determined by its Board of Directors subject to the preferential rights of holders of Merging Corp. Preferred Stock.

Under Maine law, dividends in cash or property may generally be paid only out of consolidated unreserved and unrestricted earned surplus of the corporation or out of consolidated unreserved and unrestricted net earnings of the current fiscal year and the next preceding fiscal year taken as a single period, subject to certain conditions. Subject to this restriction and any others that may appear in the corporation's articles of incorporation, dividends may be paid at any time that the corporation is not insolvent and the payment of the dividends would not render the corporation insolvent. Maine law provides that shares may be repurchased only out of consolidated unreserved and unrestricted earned surplus. PacifiCorp's Restated Articles of Incorporation, as amended, permit that company to make distributions to its shareholders and repurchases of its stock out of capital surplus in an amount not to exceed $175,000,000 in the aggregate, in addition to distributions and repurchases otherwise permitted by Maine law. This provision does not appear in the Restated Articles of Merging Corp.

Utah law contains an insolvency restriction for the payment of dividends and the repurchase and redemption of shares which is similar to that contained in the laws of Oregon and Maine. Dividends in cash or property may be paid by a Utah corporation only out of unreserved and unrestricted earned surplus. UP&L's Articles of Incorporation contain a further restriction on the payment of dividends related to that corporation's total capitalization. The Restated Articles contain no such restriction. See "OPERATIONS AFTER THE MERGER—Dividends on Merging Corp. Stock" for information concerning a restriction on dividends on, and repurchases of, Common Stock of Merging Corp. after the Merger.

### Preemptive Rights

No shareholder of Merging Corp. will have a preemptive right or other right to subscribe for or acquire any new or additional issue of shares of Merging Corp. Holders of PacifiCorp Common Stock and Preferred Stock have no preemptive rights. Under UP&L's Articles of Incorporation, holders of UP&L Common Stock have preemptive rights to acquire new or additional shares of UP&L Common or Preferred Stock or securities convertible into such stock offered other than through a public offering.

### Voting Rights of UP&L Preferred Stock

The shares of Merging Corp. No Par Serial Preferred Stock to be issued in the Merger upon conversion of shares of UP&L Preferred Stock will have no voting rights except as required by law or by

the Restated Articles. When holders of these Merging Corp. shares are entitled to vote, such holders will be entitled to one-quarter (¼) vote per share. Although the UP&L Preferred Stock similarly has no general voting rights, each share of UP&L Preferred Stock is entitled to one vote per share on any matter upon which such stock is entitled to vote.

The five outstanding series of UP&L Preferred Stock currently comprise one class of UP&L stock. After the Merger, the Merging Corp. stock issued upon conversion of the UP&L Preferred Stock will constitute five of a total of nine series of Merging Corp. No Par Serial Preferred Stock then outstanding. Consequently, in any class vote in which such shares are entitled to participate, the shares will vote as part of a larger class. See "MERGING CORP. CAPITAL STOCK—Voting Rights" for information concerning the voting rights of Merging Corp. capital stock.

**Dissenters' Rights**

Under Oregon law, dissenters' rights do not apply with respect to shares registered on a national securities exchange or quoted on the National Association of Securities Dealers, Inc. National Market System. It is intended that Merging Corp. Common Stock will be listed on the New York and Pacific Stock Exchanges. Holders of other stocks generally have the right to dissent and obtain fair value for their shares only in connection with certain mergers, share exchanges, the sale or exchange of all or substantially all of the assets of the corporation, if the shareholders are entitled to vote on such matters, and an amendment to the articles of incorporation which alters or abolishes preemptive rights or reduces the number of a shareholder's shares to a fractional share.

The right to dissent under the law of the State of Maine is limited to certain mergers on which the shareholder is entitled to vote, consolidations and sales of all or substantially all of the corporation's assets. Holders of stock registered or traded on a national securities exchange or registered with the Commission under Section 12(g) of the Exchange Act are not entitled to dissenters' rights. However, holders of such stock and certain other shareholders not entitled otherwise to dissenters' rights due to the nature of the merger or consolidation being acted upon may have such rights if the consideration offered to shareholders under a plan of merger or consolidation is other than shares of certain types of stock or shares of stock plus cash.

Under Utah law, dissenters' rights generally are provided only for holders of stock not listed with national securities exchanges and only with respect to certain mergers and consolidations and the sale or exchange of all or substantially all of the assets of a corporation as to which such holders are entitled to vote. See "RIGHTS OF DISSENTING SHAREHOLDERS."

Holders of UP&L Common Stock and PacifiCorp Common and Preferred Stock do not have dissenters' rights.

**Limitation on Director Liability to Shareholders**

The Restated Articles contain a provision limiting the liability of any director of Merging Corp. to that corporation or its shareholders for monetary damages for certain conduct as a director. A substantially identical provision was approved by the PacifiCorp shareholders at the PacifiCorp July 1987 Annual Meeting of Stockholders. The UP&L Articles of Incorporation contain no such provision. As described under "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp.," this provision protects Merging Corp. directors from personal liability to shareholders for actions not excluded from the provision by the Oregon Business Corporation Act.

**Regulation of Control Share Acquisitions**

A recently enacted Oregon law regulates the process by which a person may acquire control of an Oregon-based corporation with 100 or more shareholders without the consent and cooperation of management. Upon consummation of the Merger, this legislation would apply to persons seeking to acquire control of Merging Corp. The law restricts the ability to vote shares of stock acquired in a transaction that causes the acquiring person to control at least one-fifth, one-third or one-half of the votes entitled to be cast in the election of directors. Shares acquired in a control share acquisition have no voting rights except as authorized by a vote of the shareholders. Shares acquired in a merger or acquisition

effected in compliance with Oregon law and in certain other circumstances are not subject to these restrictions. Although a corporation may elect not to be governed by this law by amendment to its articles of incorporation or bylaws, it is not anticipated that Merging Corp. will make such an election. A similar provision exists in Utah.

Under Maine law, any person who acquires 25 percent or more of the voting power of a Maine corporation whose shares are traded on a national exchange or registered under the Exchange Act must offer to purchase for "fair value" the outstanding shares belonging to any remaining shareholder of the corporation who demands such purchase. Utah law contains a similar provision applicable to certain control share acquisitions.

## MERGING CORP. CAPITAL STOCK

When the Merger or the Reincorporation becomes effective, the Articles of Incorporation of Merging Corp. will be amended to, among other things, adopt the authorized capital stock provisions currently contained in the PacifiCorp Restated Articles of Incorporation, as amended, except that in the Merger 100,000,000 additional shares of Common Stock will be authorized. The authorized capital stock of Merging Corp. will consist of 126,533 shares of 5% Preferred Stock, $100 par value, 3,500,000 shares of Serial Preferred Stock, $100 par value, 16,000,000 shares of No Par Serial Preferred Stock (the Merging Corp. 5% Preferred Stock, the Serial Preferred Stock and the No Par Serial Preferred Stock collectively referred to herein as "Senior Securities") and 300,000,000 shares of Common Stock of the par value of $3.25 per share (200,000,000 shares if the Reincorporation occurs).

Although the "par value" designations of the PacifiCorp capital stock have been continued for convenience with respect to the Merging Corp. capital stock, the concept of par value is no longer contained in the Oregon Business Corporation Act. Par value has had little legal significance, merely setting the price below which a corporation could not sell its stock, and the elimination of this concept will not significantly alter the rights or preferences of holders of Merging Corp. stock. For a specific description of each class and series of stock, see the Restated Articles, portions of which are attached to this Joint Proxy Statement/Prospectus as Exhibit B to Appendix A. A complete copy of the Restated Articles is available upon request.

### Dividend Rights

Each class of Senior Securities will be entitled, on a parity with each other and in preference to the Common Stock, to accumulate dividends at the rate or rates determined at the time of creation of each series. Subject to the prior rights of the Senior Securities, the Common Stock will be entitled to such dividends as the Board of Directors may determine. Merging Corp. may not pay cash dividends on its Common Stock at any time it is not current in its obligation (i) to purchase in each of the years 1989 and 1990, 31,250 shares of its 9.15% Serial Preferred Stock (which constitute all of the outstanding shares of such series), or (ii) to redeem in each of the years 1993 through 2027, 15,000 shares of its $7.12 No Par Serial Preferred Stock.

### Voting Rights

Holders of the Common Stock will be entitled to one vote for each share held, as will the holders of the 5% Preferred Stock and the Serial Preferred Stock. Holders of the $2.13 No Par Serial Preferred Stock and the $7.12 No Par Serial Preferred Stock will be entitled to one-quarter (¼) vote and one (1) vote, respectively, for each share held. Except as may be provided by law or by the Merging Corp. Restated Articles of Incorporation, holders of all other series of No Par Serial Preferred Stock which will be outstanding upon consummation of the Merger will not be entitled to vote on matters presented to the shareholders generally. Holders of series of the No Par Serial Preferred Stock created in the future will be entitled to such voting rights as may be fixed by Merging Corp.'s directors at the time each series of such stock is created. During any periods when dividends on the Senior Securities are in default in an amount equal to four or more full quarterly payments per share, the holders of the Senior Securities, voting separately from the holders of the Common Stock as one class, will have the right to elect a majority of the full Board of Directors.

Holders of the outstanding shares of any class will be entitled to vote as a class on certain matters, such as changes in the aggregate number of authorized shares of the class and certain changes in the

designations, preferences, limitations or relative rights of the class. The vote of holders of at least two-thirds of each class of Merging Corp. Preferred Stock will be required prior to creating any new stock ranking prior thereto or altering its express terms to its prejudice. The vote of holders of a majority of all classes of Merging Corp. Preferred Stock, voting separately from the holders of the Common Stock as one class, will be required prior to merger or consolidation and prior to making certain unsecured borrowings and certain issuances of Senior Securities.

The shares of Merging Corp. will not have cumulative voting rights, which means that the holders of more than 50% of all outstanding shares entitled to vote for the election of directors can elect 100% of the directors standing for election (see "Classification of Board; Removal," below) if they choose to do so, and, in such event, the holders of the remaining less than 50% of the shares would not be able to elect any person or persons to the Board of Directors.

**Voting on Certain Transactions**

Under the Restated Articles, certain business transactions with a Related Person, including a merger, consolidation or plan of exchange of Merging Corp. or its subsidiaries, or certain recapitalizations, or the sale or exchange of a substantial part of the assets of Merging Corp. or its subsidiaries, or any issuance of voting securities of Merging Corp., will require, in addition to existing voting requirements, approval by at least 80 percent of the outstanding Voting Stock (for purposes of this provision, Voting Stock is defined as all of the outstanding shares of capital stock of Merging Corp. entitled to vote generally in the election of directors, considered as one class). A "Related Person" includes any shareholder that is, directly or indirectly, the beneficial owner of 20 percent or more of the Voting Stock. The 80 percent voting requirement will not apply in the following instances:

(a) The Related Person has no direct or indirect interest in the proposed transaction except as a shareholder;

(b) The shareholders, other than the Related Person, will receive consideration for their Voting Stock having a fair market value per share at least equal to or, in the opinion of a majority of the Continuing Directors (as defined in the Restated Articles) equivalent to, the highest per-share price paid by the Related Person for any Voting Stock acquired by it;

(c) Two-thirds of the Continuing Directors expressly approved in advance the acquisition of the Voting Stock that caused such Related Person to become a Related Person; or

(d) The transaction is approved by two-thirds of the Continuing Directors.

This provision of the Restated Articles may be amended or repealed only upon the approval of the holders of at least 80 percent of the Voting Stock.

**Redemption or Repurchase of Preferred Stock**

Merging Corp. will not be restricted in its right to redeem, purchase or otherwise acquire any shares of its Preferred Stock whether or not dividends or any sinking fund payments are in arrears on Merging Corp. Preferred Stock.

**Liquidation Rights**

Upon involuntary liquidation, each class of the Senior Securities will be entitled, on a parity with each other and in preference to the Common Stock, to the par value thereof or, in the case of the No Par Serial Preferred Stock, the amount of the liquidation preference thereof as fixed in the Restated Articles or the resolution creating the series, which in the case of the series of No Par Serial Preferred Stock that will be outstanding upon consummation of the Merger or the Reincorporation is $25, $100, or $100,000 per share depending upon the series, in each case plus accrued dividends.

Upon voluntary liquidation, the 5% Preferred Stock will be entitled to $110 per share, the 7.00%, 6.00%, 5.00% and 5.40% series of Serial Preferred Stock will be entitled to $100 per share and the

remaining outstanding series of Serial Preferred Stock and No Par Serial Preferred Stock will be entitled to an amount equal to the then current redemption price of each such series, in each case plus accrued dividends, on a parity with each other and in preference to the Common Stock. Subject to the rights of the Senior Securities (and to the rights of any other class of stock hereafter authorized), the Common Stock alone will be entitled to all amounts available for distribution on liquidation of Merging Corp.

**Preemptive Rights; Conversion Rights**

No shareholder will be entitled to preemptive rights. No conversion rights attach to any class of stock, except that the Board of Directors is authorized to establish conversion rights for series of Serial Preferred Stock and No Par Serial Preferred Stock created in the future.

**Calls and Assessments**

The Common Stock and Preferred Stock issued pursuant to the Merger or the Reincorporation will be fully paid and nonassessable.

**Classification of Board; Removal**

The Board of Directors will be divided into three classes, designated Class I, Class II, and Class III, each class as nearly equal in number as possible. The directors in each class will serve staggered three-year terms, such that approximately one-third of the Board of Directors is elected each year. A vote of at least 80 percent of the votes entitled to be cast at an election of directors will be required to remove a director without cause, and at least two-thirds of such votes are required to remove a director for cause. Any amendment of this provision requires the approval of at least 80 percent of the votes entitled to be cast at an election of directors.

**Transfer Agent**

First Interstate Bank of Oregon, N.A., will serve as transfer agent for Merging Corp. Common and Preferred Stock.

## RIGHTS OF DISSENTING SHAREHOLDERS

Sections 16-10-75 and 16-10-76 of the Utah Business Corporation Act (Utah BCA) (a copy of which is attached as Appendix D to this Joint Proxy Statement/Prospectus) entitle any holder of UP&L Preferred Stock who dissents from the Merger and who follows the procedures set forth in Section 16-10-76 to receive in cash the "fair value" of his shares in lieu of the consideration provided for in the Merger Agreement. The "fair value" will be determined as of the day prior to the date of the UP&L Meeting and such determination will exclude any appreciation or depreciation in anticipation of the Merger. The fair value as of the day prior to the day on which the Merger vote is taken could be more than, the same as or less than the value of the consideration the shareholder would receive pursuant to the Merger Agreement if the shareholder did not seek appraisal of his or her shares. Investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 16-10-76. UP&L Common Stock has no dissenters' rights.

The following discussion is a summary of the procedures a holder of UP&L Preferred Stock must follow to perfect dissenters' rights under the Utah BCA. This summary does not purport to be a complete statement of Sections 16-10-75 and 16-10-76 and it is qualified in its entirety by reference to such Sections of the Utah BCA (see Appendix D) and to any amendments to such Sections adopted after the date of this Joint Proxy Statement/Prospectus.

To properly exercise dissenters' rights, a holder of UP&L Preferred Stock must (i) prior to or at the UP&L Meeting, file with UP&L a written objection to the Merger; (ii) not vote his or her shares in favor of the Merger; and (iii) make written demand on UP&L, within 10 days after the Merger Agreement has been approved at the UP&L Meeting, for payment of the fair value of the UP&L Preferred Stock owned

by such shareholder. Any shareholder who fails to make such demand within the required 10 days will be bound by the terms of the Merger Agreement. None of UP&L, PacifiCorp or Merging Corp. is required to inform shareholders of the expiration of the 10-day period, and none of them intend to do so.

In addition, a dissenting shareholder of UP&L must, within 20 days after making written demand for payment of his or her shares, submit to UP&L the certificates for such shares for notation on such certificates that payment of the fair value of the shares has been demanded. UP&L will return the certificates promptly. If a dissenting shareholder fails to submit the certificates within such period, UP&L may, at its option, terminate the dissenting shareholder's right to payment of fair value unless a court determines otherwise. After the notation has been made, a transferee of shares represented by any of the certificates so noted will be bound by the demand for payment and will have no rights other than those that the original dissenting shareholder had after making the demand for payment of fair value.

The written objection (unless filed at the UP&L Meeting), the written demand for payment and the certificates should be sent to the Corporate Secretary, Utah Power & Light Company, at 1407 West North Temple Street, Salt Lake City, Utah 84140. It is recommended that all share certificates sent by mail be sent by registered mail.

A shareholder will only be entitled to receive payment for his or her shares after making a demand for such payment and will not be entitled to vote or to exercise any other rights of a shareholder.

A HOLDER OF UP&L PREFERRED STOCK WHO WISHES TO EXERCISE DISSENTERS' RIGHTS MUST NOT VOTE IN FAVOR OF THE MERGER. A VOTE IN FAVOR OF THE MERGER WILL TERMINATE THE DISSENTERS' RIGHTS OF A DISSENTING SHAREHOLDER.

Within 10 days after the date the Merger is consummated, Merging Corp. will give written notice to each dissenting shareholder who has made a demand for payment and offer to pay each such shareholder an amount Merging Corp. deems to be the "fair value" of the UP&L Preferred Stock owned by such shareholder with respect to which dissenters' rights have been exercised. The notice and offer will be accompanied by a balance sheet of UP&L as of the last available date and an income statement of UP&L for the 12-month period ending on the date of such balance sheet.

If within 30 days after the Effective Time any dissenting shareholder and Merging Corp. agree on the fair value of the shares of UP&L Preferred Stock owned by such shareholder, Merging Corp. will pay the agreed amount to such shareholder within 90 days after the Effective Time upon surrender of the certificates. Upon payment, the dissenting shareholder will cease to have any interest in the surrendered shares. If Merging Corp. and a dissenting shareholder do not agree on the fair value of the shares within such time period, then Merging Corp., within 30 days after receipt of written demand from any dissenting shareholder given within 60 days after the Effective Time, will, or at its election at any time within such period of 60 days may, file a petition in the District Court of Salt Lake County, Utah (Court) to determine the fair value of the shares. Although Merging Corp. has the option of filing the petition at any time during the 60 days following the Effective Time, Merging Corp. currently does not intend to do so. Therefore, a dissenting shareholder will have to make written demand on Merging Corp., as described above, in order to preserve dissenters' rights.

All dissenting shareholders who have not agreed to an amount for payment will be made parties to the appraisal proceeding and will be entitled to a judgment for the fair value of their shares and interest accrued from the date of the UP&L Meeting to the date of payment. The Court may at its option appoint one or more appraisers to determine the fair value of the shares and to make a recommendation to the Court. The Court will assess costs and expenses of the proceeding against Merging Corp., except that costs may be assessed against any dissenting shareholder who rejected an offer from Merging Corp. if the shareholder's rejection of the offer was arbitrary, vexatious, or not in good faith. The cost and expenses will include reasonable compensation for the appraisers, but will generally exclude attorneys' and experts' fees. The fees for and expenses of experts may be assessed against Merging Corp. if the value of the shares as determined by the Court materially exceeds Merging Corp.'s offer to dissenting stockholders or if no offer was made.

No shareholder demanding payment of the fair value of shares may withdraw such demand unless Merging Corp. shall consent thereto. The right of any dissenting shareholder to be paid the fair value of

his or her UP&L Preferred Stock will cease and his or her status as a shareholder will be restored if (i) the Merger does not become effective; (ii) the demand for payment is withdrawn by the dissenting shareholder with the consent of UP&L; (iii) no demand or petition for the determination of fair value by a court is made or filed within the required time period; or (iv) a court of competent jurisdiction determines that the shareholder is not entitled to exercise dissenters' rights.

From the time a dissenting shareholder demands dissenters' rights until the termination of the rights arising from the demand for the payment of fair value, all rights accruing to such UP&L Preferred Stock, including dividend and voting rights, will be suspended. After the consummation of the Merger, if the right of the shareholder to be paid the fair value of his or her shares of UP&L Preferred Stock has ceased and his or her rights as a shareholder have been restored, such rights will consist solely of the right to receive the consideration to be paid to holders of UP&L Preferred Stock pursuant to the terms of the Merger Agreement.

The cash received by a shareholder who exercises dissenters' rights will result in recognition of income, gain or loss. See "THE MERGER—Certain Federal Income Tax Consequences."

## LEGAL OPINIONS

The validity of the shares of Merging Corp. capital stock issued in connection with the Merger and the material federal income tax consequences of the Merger to PacifiCorp, UP&L and their respective shareholders will be passed upon by Stoel Rives Boley Jones & Grey, Portland, Oregon. John Detjens, III, John M. Schweitzer, Patrick J. Simpson and Gary R. Barnum, who are assistant secretaries of PacifiCorp, are partners in the firm of Stoel Rives Boley Jones & Grey. At October 29, 1987, lawyers in the firm who are participating in the consideration of legal matters in connection with the Merger beneficially owned 584 shares of PacifiCorp Common Stock.

## EXPERTS

The consolidated financial statements and supplemental schedules of UP&L and subsidiaries as of December 31, 1986 and 1985 and for each of the three years in the period ended December 31, 1986, incorporated in this Joint Proxy Statement/Prospectus by reference from UP&L's Annual Report on Form 10-K for the year ended December 31, 1986, have been examined by Deloitte Haskins & Sells, independent certified public accountants, as stated in their opinion, which is incorporated herein by reference, and have been so incorporated in reliance upon such opinion given upon the authority of that firm as experts in accounting and auditing.

The consolidated financial statements and supplemental schedules of PacifiCorp and subsidiaries as of December 31, 1986 and 1985 and for each of the three years in the period ended December 31, 1986, incorporated in this Joint Proxy Statement/Prospectus by reference from PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 1986, have been examined by Deloitte Haskins & Sells, independent certified public accountants, as stated in their opinions, which are incorporated herein by reference, and have been so incorporated in reliance upon such opinions given upon the authority of that firm as experts in accounting and auditing.

With respect to the unaudited interim financial information included in PacifiCorp's Quarterly Reports on Form 10-Q incorporated herein by reference, Deloitte Haskins & Sells have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their reports included in such Quarterly Reports on Form 10-Q incorporated by reference herein, they did not audit and do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte Haskins & Sells are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not "reports" or "parts" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

# AGREEMENT AND PLAN
# OF
# REORGANIZATION AND MERGER,
# AS AMENDED

THIS AGREEMENT AND PLAN OF REORGANIZATION AND MERGER (this "Agreement") is entered into on August 12, 1987 by and between UTAH POWER & LIGHT COMPANY, a Utah corporation ("UP&L"), PACIFICORP, a Maine corporation ("PacifiCorp"), and PC/UP&L MERGING CORP., an Oregon corporation ("Merging Corp.").

The parties desire that UP&L and PacifiCorp each be merged with and into Merging Corp., with Merging Corp. to be the surviving corporation.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, agreements, and conditions contained herein, the parties agree as follows:

## ARTICLE I

## THE MERGER

Pursuant to the laws of the States of Utah, Maine, and Oregon, and subject to and in accordance with the terms and conditions of this Agreement and the Plan of Merger attached hereto as Exhibit A, UP&L and PacifiCorp each shall be merged with and into Merging Corp., and the outstanding shares of the capital stock of UP&L and PacifiCorp shall be converted into shares of the capital stock of Merging Corp. as described in Section 1.3, in a transaction intended to qualify as a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code"). UP&L, PacifiCorp and Merging Corp. shall execute Articles of Merger, to be filed with the Secretary of State of the State of Maine, the Division of Corporations and Commercial Code of the State of Utah and the Corporation Division of the State of Oregon on the "Closing Date," as defined in Section 1.4, or as soon thereafter as practicable. The merger of UP&L and PacifiCorp with and into Merging Corp. (the "Merger") shall take effect (the "Effective Time") upon the later of the time when the Articles of Merger are duly filed with the Secretary of State of the State of Maine, the time when a certificate of merger is issued by the Division of Corporations and Commercial Code of the State of Utah, and the time when Articles of Merger are duly filed with the Corporation Division of the State of Oregon, or at such other time as the parties may agree upon in writing pursuant to applicable law.

1.1 *Effect of Merger.* At the Effective Time, UP&L and PacifiCorp shall be merged with and into Merging Corp. in the manner and with the effect provided by the Maine Business Corporation Act (the "MBCA"), the Utah Business Corporation Act (the "UBCA") and the Oregon Business Corporation Act, the separate corporate existence of UP&L and PacifiCorp shall cease and thereupon UP&L, PacifiCorp and Merging Corp. shall be a single corporation subject to the Articles of Incorporation of Merging Corp. as amended pursuant to Section 1.2, and the By-Laws of Merging Corp. The outstanding shares of capital stock of UP&L and PacifiCorp shall be converted into shares of the capital stock of Merging Corp. on the basis, terms, and conditions described in Section 1.3, and the outstanding shares of Merging Corp. held by PacifiCorp shall be deemed canceled and shall automatically cease to exist.

1.2 *Amendments to Articles of Incorporation.* As of the Effective Time, the Articles of Incorporation of Merging Corp. shall be amended and restated to read in their entirety as set forth in Exhibit B attached hereto and incorporated herein.

1.3 *Conversion of Shares.* The manner and basis of converting the shares of the merging corporations shall be as follows:

1.3.1 *PacifiCorp Common Stock.* Each share of PacifiCorp Common Stock, $3.25 par value, which shall be outstanding immediately before the Effective Time shall by virtue of the Merger and

without any action on the part of the holder thereof, cease to exist and be converted into and become one share of Merging Corp. Common Stock, $3.25 par value ("Merging Corp. Common Stock").

1.3.2 *PacifiCorp Preferred Stock.* Each share of PacifiCorp Serial Preferred Stock, $100 par value, each share of PacifiCorp 5% Preferred Stock, $100 par value, and each share of PacifiCorp No Par Serial Preferred Stock (collectively, "PacifiCorp Preferred Stock") which shall be outstanding immediately before the Effective Time (other than shares with respect to which the holder thereof has properly perfected dissenters' rights if the holders of PacifiCorp Preferred Stock shall be deemed to have the right to dissent under the MBCA) shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become one share of that class and series of Merging Corp. Preferred Stock (collectively, "Merging Corp. Preferred Stock") bearing the same name as the share of PacifiCorp Preferred Stock that is converted.

1.3.3 *UP&L Common Stock.* Each share of UP&L Common Stock, $6.40 par value ("UP&L Common Stock"), which shall be outstanding immediately before the Effective Time shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become shares of Merging Corp. Common Stock, as determined by the following formula based on the average closing price of PacifiCorp Common Stock as reported on the New York Stock Exchange Composite Tape for the 10 trading days (the "Computation Period") immediately following the Determination Date (as defined in Section 1.4) (the "PacifiCorp Closing Price"):

(a) If the PacifiCorp Closing Price is more than $41.804, each share of UP&L Common Stock shall be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $38 by the PacifiCorp Closing Price.

(b) If the PacifiCorp Closing Price is more than $35.475 but equal to or less than $41.804, each share of UP&L Common Stock shall be converted into .909 shares of Merging Corp. Common Stock.

(c) If the PacifiCorp Closing Price is equal to or less than $35.475 but more than $33.70, each share of UP&L Common Stock shall be converted into that number of shares of Merging Corp. Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price.

(d) If the PacifiCorp Closing Price is equal to or less than $33.70, each share of UP&L Common Stock shall be converted into .957 shares of Merging Corp. Common Stock, subject to the provisions of Section 5.3 hereof.

1.3.4 *UP&L Cumulative Preferred Stock.* Each share of UP&L Cumulative Preferred Stock (Series A through E), $25 par value (the "UP&L Preferred Stock"), which shall be issued and outstanding immediately before the Effective Time (other than shares with respect to which the holder thereof has properly perfected dissenters' rights pursuant to Sections 16-10-75 and 16-10-76 of the UBCA) shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become one share of that series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate as the share of UP&L Preferred Stock that is converted.

1.3.5 *Surrender of Certificates.* After the Effective Time, each holder of shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock outstanding immediately prior to the Effective Time shall, upon surrender for cancellation of a certificate or certificates representing such shares to Merging Corp. or its agent designated for such purpose, be entitled to receive a certificate or certificates representing the number of shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall have been converted pursuant to the provisions of Sections 1.3.1, 1.3.2, 1.3.3 and 1.3.4. Until so surrendered, the certificates which prior to the Merger represented shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall be deemed, for all corporate purposes, to evidence ownership of the shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares of PacifiCorp Common Stock, PacifiCorp

Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall have been converted; provided, however, that no dividends with respect to shares of UP&L Common Stock or UP&L Preferred Stock shall be paid until the holder shall have surrendered certificates therefor, at which time the holder shall be paid the amount of dividends, if any, without interest, which shall theretofore have become payable with respect to the shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares shall have been converted. If any certificate for shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer, and that the person requesting such exchange pay to Merging Corp. or its agent designated for such purpose any transfer or other taxes required by reason of the issuance of a certificate for shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock in any name other than that of the registered holder of the certificate surrendered, or establish to the satisfaction of Merging Corp. or its agent that such tax has been paid or is not payable.

1.3.6 *Treasury Shares.* At the Effective Time, all shares of PacifiCorp Common Stock or PacifiCorp Preferred Stock that shall then be held in its treasury, if any, and all shares of UP&L Common Stock or UP&L Preferred Stock that shall then be held in its treasury, if any, shall automatically cease to exist without being converted hereunder and all certificates representing such shares shall be canceled.

1.3.7 *Certain Adjustments.* If, between the date of this Agreement and the Effective Time, the outstanding shares of UP&L Common Stock or the outstanding shares of PacifiCorp Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split, stock dividend, exchange of shares, or similar adjustment, the number of shares of UP&L Common Stock to be converted into shares of Merging Corp. Common Stock by virtue of the Merger shall be appropriately adjusted.

1.3.8 *Fractional Shares.* No fractional shares of Merging Corp. Common Stock shall be issued in the Merger but, in lieu of any such fractional shares, each holder of shares of UP&L Common Stock who would otherwise have been entitled to a fraction of a share of Merging Corp. Common Stock upon surrender of stock certificates as provided in Section 1.3.5 will upon such surrender be paid an amount of cash (without interest) determined by multiplying (a) the PacifiCorp Closing Price by (b) the fractional share interest in Merging Corp. Common Stock to which such holder would otherwise be entitled pursuant to the terms of Section 1.3.3 or 5.3.

1.4 *Closing.* The closing of the Merger (the "Closing") shall take place at the offices of Stoel Rives Boley Jones & Grey, 900 SW Fifth Avenue, Portland, Oregon, at 10:00 a.m. on the fifth calendar day following the 10 trading days after the Determination Date, or on such other date and/or at such other place and time as UP&L, PacifiCorp and Merging Corp. may agree (the "Closing Date"). The "Determination Date" shall be the day on which the last of the conditions set forth in Article IV hereof shall have been fulfilled or waived (other than those conditions which by their terms are to occur at Closing).

1.5 *Subsequent Actions.* If, at any time after the Effective Time, Merging Corp. shall consider or be advised that any deeds, bills of sale, assignments, assurances, or any other actions or things are necessary or desirable to vest, perfect, or confirm of record or otherwise in Merging Corp. its right, title, or interest in, to, or under any of the rights, properties, or assets of UP&L or PacifiCorp acquired or to be acquired by Merging Corp. as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers and directors of Merging Corp. shall be authorized to execute and deliver, in the name and on behalf of UP&L or PacifiCorp, as the case may be, or otherwise, all such deeds, bills of sale, assignments, and assurances, and to take and do, in the name and on behalf of UP&L or PacifiCorp, as the case may be, or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect, or confirm any and all right, title, and interest in, to, and under such rights, properties, or assets in Merging Corp. or otherwise to carry out this Agreement.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

2.1 *Representations and Warranties of UP&L.* UP&L hereby represents and warrants to PacifiCorp that:

2.1.1 *Organization and Good Standing.* UP&L and each of its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation in each jurisdiction where the properties owned, leased, or operated, or the business conducted, by it require such qualification, except where the failure to so qualify would not have a material adverse effect on UP&L and its subsidiaries taken as a whole. UP&L and each of its subsidiaries has all requisite corporate power and authority to own, operate and lease its property and to carry on its businesses as they are now being conducted.

2.1.2 *Capitalization.* UP&L has an authorized capital stock consisting of 75,000,000 shares of Common Stock, $6.40 par value, of which 58,649,744 shares were outstanding on June 30, 1987, and 15,000,000 shares of Cumulative Preferred Stock, $25 par value, of which 2,000,000 shares were outstanding on June 30, 1987. All of the outstanding shares of capital stock of UP&L have been duly authorized and are validly issued, fully paid and nonassessable, and no shares were issued in violation of preemptive rights of any shareholder. There are no subscriptions, options, warrants, rights, convertible securities, or other agreements or commitments of any character obligating UP&L or any of its subsidiaries to issue any shares of capital stock.

2.1.3 *Corporate Authority; Governmental Authorization.* UP&L has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The Agreement has been duly and validly authorized by the board of directors of UP&L, and constitutes the valid and binding obligation of UP&L enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought. No action by or in respect of, or filing with, any governmental body, agency or official is required in connection with the execution, delivery or performance by UP&L of this Agreement other than the following: the Utah Public Service Commission, the Public Service Commission of Wyoming, the Idaho Public Utilities Commission, the Federal Energy Regulatory Commission, the Federal Trade Commission, the United States Department of Justice, the Securities and Exchange Commission, and the securities regulatory authorities of the states in which UP&L shareholders are located.

2.1.4 *SEC Reports and Financial Statements.* UP&L has heretofore furnished PacifiCorp with complete copies of all registration statements, reports, and proxy statements, including all amendments thereto, filed with the Securities and Exchange Commission ("SEC") since December 31, 1984 and prior to the date of this Agreement (collectively, with the UP&L June 30, 1987 Form 10-Q, the "UP&L SEC Reports"). As of their respective dates, the UP&L SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the financial statements of UP&L and its consolidated subsidiaries (including any related notes and schedules) contained in the UP&L SEC Reports presents fairly the consolidated financial condition, results of operations and changes in financial position of UP&L and its consolidated subsidiaries as of the dates and for the periods indicated therein in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as otherwise indicated therein or in a subsequent UP&L SEC Report and subject, in the case of unaudited statements, to normal year-end audit adjustments which were not or will not be material in amount or effect). Since December 31, 1984, UP&L has timely filed all registration statements, reports, and proxy statements and other filings required to be filed with the SEC under the rules and regulations of the SEC.

2.1.5 *Litigation.* Except as set forth in a UP&L SEC Report, no litigation, proceeding or governmental investigation is pending or, to the knowledge of UP&L, threatened against or relating to UP&L, its officers or directors in their capacities as such, or any of its subsidiaries, or their respective properties or businesses, which if adversely determined, would, either individually or in the aggregate, have a material adverse effect on UP&L and its subsidiaries taken as a whole, or on the transactions contemplated by this Agreement, and UP&L knows of no basis for any such litigation, proceeding, or governmental investigation.

2.1.6 *Undisclosed Liabilities.* UP&L and its subsidiaries have no material obligations or liabilities of any nature, whether absolute, accrued, contingent, or otherwise, which are not reflected in the UP&L SEC Reports, except those incurred in the ordinary course of business since June 30, 1987 which individually and in the aggregate are not materially adverse and except those arising or resulting from this Agreement.

2.1.7 *Absence of Changes.* Since June 30, 1987 (a) UP&L and its subsidiaries have not sustained any material loss or interference with their respective businesses from fire, explosion, flood, or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree; (b) there has not been any material adverse change in or affecting the business, properties, financial position, or results of operations of UP&L and its subsidiaries taken as a whole; and (c) there have not been any changes in the capital stock or consolidated long-term debt of UP&L, except for the issuance of 303,718 shares of UP&L Common Stock under UP&L's Shareholders' Dividend Reinvestment and Stock Purchase Plan.

2.1.8 *Tax Returns and Audits.* UP&L and each of its subsidiaries has duly filed all federal, state, local, and foreign tax returns and reports required to be filed by it, except where the failure to so file would not have a material adverse effect on UP&L and its subsidiaries taken as a whole, and has duly paid or made adequate provision on its books in accordance with generally accepted accounting principles for the payment of all taxes which have been incurred or are due and payable. Except as disclosed in the UP&L SEC Reports, the federal income tax returns of UP&L and its subsidiaries have been audited by the Internal Revenue Service for all fiscal years through and including 1984, and all deficiencies asserted as a result of such examinations have been paid, fully settled, adequately provided for on the books of UP&L or are not material to UP&L and its subsidiaries taken as a whole.

2.1.9 *Public Utility Holding Company Act.* Neither UP&L nor any of its subsidiaries is a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

2.1.10 *Regulation as Utility.* UP&L operates and is regulated as a public utility only in the States of Utah, Idaho and Wyoming. Except as stated in this Section, neither UP&L nor any of its subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by any State in the United States.

2.1.11 *Compliance with Laws and Orders.* Except as disclosed in the UP&L SEC Reports, UP&L and its subsidiaries have complied in all material respects with all laws, regulations, and orders applicable to them and to the conduct of their respective businesses, other than where the failure to so comply would not have a material adverse effect on UP&L and its subsidiaries taken as a whole.

2.1.12 *Absence of Defaults.* UP&L and its subsidiaries are not in default under or in violation of any provision of their respective articles of incorporation or bylaws or any indenture, mortgage, deed of trust, loan agreement, debt instrument, direct or indirect guarantee, or agreement of any kind to which any of them is a party or by which any of them is bound or to which any of their properties are subject which default would have a material adverse effect on UP&L and its subsidiaries taken as a whole. Provided that UP&L and its subsidiaries shall have received the consent of the other parties required under the foregoing to the transactions contemplated hereby, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will conflict with or result in a breach of or constitute a default under any of the foregoing or result in the creation

of any lien or encumbrance upon the assets of UP&L or any of its subsidiaries, other than those which would not have a material adverse effect on UP&L and its subsidiaries taken as a whole.

2.1.13 *Insurance.* UP&L has maintained, and is now maintaining with financially responsible insurance companies, insurance on its tangible assets and its businesses in such amounts and against such risks and losses as is customary for companies engaged in the electric utility industry.

2.1.14 *Brokers and Finders.* Except for Kidder Peabody & Co. Incorporated, neither UP&L, any of its subsidiaries, nor any officer, director, or employee of UP&L or any of its subsidiaries has employed any broker, finder, or investment banker, or incurred any liability for any brokerage or investment banking fees, commissions, or finders' fees in connection with the transactions contemplated by this Agreement.

2.1.15 *Labor Controversies.* Except as set forth in the UP&L SEC Reports and except for the arbitration proceeding relating to the International Brotherhood of Electrical Workers disclosed to PacifiCorp, there are no material controversies pending or, to the knowledge of UP&L, threatened between UP&L and any representatives of its employees, and, to the knowledge of UP&L, there are no material organizational efforts presently being made involving any of the presently unorganized employees of UP&L. UP&L has, to the knowledge of UP&L, complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and no person has, to the knowledge of UP&L, asserted that UP&L is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

2.1.16 *Environmental Matters.* Except as set forth in the UP&L SEC Reports, to the knowledge of UP&L neither UP&L nor any of its subsidiaries has disposed of or arranged for the disposal of any hazardous substance at any facility, location or site so as to be or become a potentially liable party for remedial action and/or response costs in connection with such facility, location or site under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, the federal Resource Conservation and Recovery Act, as amended, and/or comparable state statutes which would be material to UP&L and its subsidiaries taken as a whole.

2.1.17 *Employee Benefit Matters.* The UP&L SEC Reports contain a true and complete description of all material bonus, option, incentive compensation, profit sharing, retirement, pension and other employee benefit plans or arrangements and employment agreements; and except as set forth in the UP&L SEC Reports (a) each employee pension benefit plan within the meaning of Section 3(2) of the Employee Income Retirement Security Act of 1974, as amended ("ERISA") that is subject to the provisions of Section 401(a) of the Code (a "Plan") meets the requirements for qualification under Section 401(a) of the Code, (b) UP&L has obtained a favorable determination letter from the Internal Revenue Service with respect to each Plan (which letters have not been revoked), and (c) UP&L, its subsidiaries and the employee benefit plans maintained by them are not aware of having committed any material violation of any provision of ERISA or engaged in any transaction that would be prohibited by ERISA or by Section 4975 of the Code.

2.2 *Representations and Warranties of PacifiCorp.* PacifiCorp hereby represents and warrants to UP&L that:

2.2.1 *Organization and Good Standing.* PacifiCorp and each of its Significant Subsidiaries (as defined in Section 6.10) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation in each jurisdiction where the properties owned, leased, or operated, or the business conducted, by it require such qualification, except where the failure to so qualify would not have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole. PacifiCorp and each of its Significant Subsidiaries has all requisite corporate power and authority to own, operate and lease its property and to carry on its businesses as they are now being conducted.

2.2.2 *Capitalization.* PacifiCorp has an authorized capital stock consisting of 200,000,000 shares of Common Stock, $3.25 par value, of which 68,947,717 shares were outstanding on June 30, 1987;

3,500,000 shares of Serial Preferred Stock, $100 par value, of which 754,877 shares were outstanding on June 30, 1987; 126,533 shares of 5% Preferred Stock, $100 par value, of which 126,533 shares were outstanding on June 30, 1987; and 16,000,000 shares of No Par Serial Preferred Stock, of which 1,183,815 shares were outstanding on June 30, 1987. All of the outstanding shares of capital stock of PacifiCorp have been duly authorized and are validly issued, fully paid and nonassessable, and no shares were issued in violation of preemptive rights of any shareholder. Except under the terms of the various PacifiCorp employee or director benefit plans and the PacifiCorp Dividend Reinvestment and Stock Purchase Plan, there are no subscriptions, options, warrants, rights, convertible securities, or other agreements or commitments of any character obligating PacifiCorp to issue any shares of capital stock.

2.2.3 *Corporate Authority; Governmental Authorization.* PacifiCorp has the corporate power and authority to execute and deliver this Agreement and to consummate the transaction contemplated hereby. The Agreement has been duly and validly authorized by the Board of Directors of PacifiCorp, and constitutes the valid and binding obligation of PacifiCorp, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought. No action by or in respect of, or filing with, any governmental body, agency, or official is required in connection with the execution, delivery or performance by PacifiCorp of this Agreement other than the following: the Public Service Commission of Wyoming, the Idaho Public Utilities Commission, the Washington Utilities and Transportation Commission, the Montana Public Service Commission, the Public Utility Commission of Oregon, the California Public Utilities Commission, the Federal Energy Regulatory Commission, the Federal Trade Commission, the United States Department of Justice, the Securities and Exchange Commission, and the securities regulatory authorities of the states in which PacifiCorp shareholders are located.

2.2.4 *SEC Reports and Financial Statements.* PacifiCorp has heretofore furnished UP&L with complete copies of all registration statements, reports, and proxy statements, including amendments thereto, filed with the Securities and Exchange Commission since December 31, 1984 and prior to the date of this Agreement (collectively, with the PacifiCorp June 30, 1987 Form 10-Q, the "PacifiCorp SEC Reports"). As of their respective dates, the PacifiCorp SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the financial statements of PacifiCorp and its consolidated subsidiaries (including any related notes and schedules) contained in the PacifiCorp SEC Reports presents fairly the consolidated financial condition, results of operations, and changes in financial position of PacifiCorp and its consolidated subsidiaries as of the dates and for the periods indicated therein in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as otherwise indicated therein and subject, in the case of unaudited statements, to normal year-end audit adjustments which were not or will not be material in amount or effect). Since December 31, 1984, PacifiCorp has timely filed all registration statements, reports and proxy statements and other filings required to be filed with the SEC under the rules and regulations of the SEC.

2.2.5 *Litigation.* Except as set forth in a PacifiCorp SEC Report, no litigation, proceeding or governmental investigation is pending or, to the knowledge of PacifiCorp, threatened against or relating to PacifiCorp, its officers or directors in their capacities as such or any of its subsidiaries, or their respective properties or businesses, which, if adversely determined, would, either individually or in the aggregate, have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole or on the transactions contemplated by this Agreement, and PacifiCorp knows of no basis for any such litigation, proceeding, or governmental investigation.

2.2.6 *Undisclosed Liabilities.* PacifiCorp and its subsidiaries have no material obligations or liabilities of any nature, whether absolute, accrued, contingent, or otherwise, which are not reflected in

the PacifiCorp SEC Reports, except those incurred in the ordinary course of business since June 30, 1987 which individually and in the aggregate are not materially adverse and except those arising or resulting from this Agreement.

2.2.7 *Absence of Changes.* Since June 30, 1987 (a) PacifiCorp and its subsidiaries have not sustained any material loss or interference with their respective businesses from fire, explosion, flood, or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree; (b) there has not been any material adverse change in or affecting the business, properties, financial position, or results of operations of PacifiCorp and its subsidiaries taken as a whole; and (c) there have not been any changes in the outstanding capital stock of PacifiCorp except pursuant to the plans referred to in Section 2.2.2.

2.2.8 *Tax Returns and Audits.* PacifiCorp and each of its subsidiaries has duly filed all federal, state, local, and foreign tax returns and reports required to be filed by it, except where the failure to so file would not have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole, and has duly paid or made adequate provision on its books in accordance with generally accepted accounting principles for the payment of all taxes which have been incurred or are due and payable. Except as disclosed in the PacifiCorp SEC Reports, the federal income tax returns of PacifiCorp have been audited by the Internal Revenue Service for all fiscal years through and including 1979, and all deficiencies asserted as a result of such examinations have been paid, fully settled, adequately provided for on the books of PacifiCorp or are not material to PacifiCorp and its subsidiaries taken as a whole.

2.2.9 *Public Utility Holding Company Act.* Neither PacifiCorp nor any of its subsidiaries is a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

2.2.10 *Regulation as Utility.* PacifiCorp operates and is regulated as a public utility only in the States of Oregon, Washington, California, Idaho, Montana and Wyoming. Except as stated in this Section, PacifiCorp is not subject to regulation as a public utility or public service company (or similar designation) by any State in the United States.

2.2.11 *Compliance with Laws and Orders.* Except as disclosed in the PacifiCorp SEC Reports, PacifiCorp and its Significant Subsidiaries have complied in all material respects with all laws, regulations, and orders applicable to them and to the conduct of their respective businesses, other than where the failure to so comply would not have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole.

2.2.12 *Absence of Defaults.* PacifiCorp and its Significant Subsidiaries are not in default under or in violation of any provision of their respective articles of incorporation or bylaws or any indenture, mortgage, deed of trust, loan agreement, debt instrument, direct or indirect guarantee, or agreement of any kind to which any of them is a party or by which any of them is bound or to which any of their properties are subject, which default would have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole. Provided that PacifiCorp and its Significant Subsidiaries shall have received the consent of the other parties required under the foregoing to the transactions contemplated hereby, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will conflict with or result in a breach of or constitute a default under any of the foregoing or result in the creation of any lien or encumbrance upon the assets of PacifiCorp or any of its Significant Subsidiaries, other than those which would not have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole.

2.2.13 *Insurance.* Each of PacifiCorp and its Significant Subsidiaries has maintained, and is now maintaining with financially responsible insurance companies, insurance on its tangible assets and its businesses in such amounts and against such risks and losses as is customary for companies engaged in the same or similar businesses.

2.2.14 *Brokers and Finders.* Except for The First Boston Corporation, neither PacifiCorp, any of its subsidiaries, nor any officer, director, or employee of PacifiCorp or any of its subsidiaries has

employed any broker, finder, or investment banker, or incurred any liability for any brokerage or investment banking fees, commissions, or finders' fees in connection with the transactions contemplated by this Agreement.

2.2.15 *Labor Controversies.* Except as set forth in the PacifiCorp SEC Reports, there are no material controversies pending or, to the knowledge of PacifiCorp, threatened between PacifiCorp and any representatives of its employees, and, to the knowledge of PacifiCorp, there are no material organizational efforts presently being made involving any of the presently unorganized employees of PacifiCorp. PacifiCorp has, to the knowledge of PacifiCorp, complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and no person has asserted that PacifiCorp is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

2.2.16 *Environmental Matters.* Except as set forth in the PacifiCorp SEC Reports, to the knowledge of PacifiCorp neither PacifiCorp nor any of its subsidiaries has disposed of or arranged for the disposal of any hazardous substance at any facility, location or site so as to be or become a potentially liable party for remedial action and/or response costs in connection with such facility, location or site under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, the federal Resource Conservation and Recovery Act, as amended, and/or comparable state statutes which would be material to PacifiCorp and its subsidiaries taken as a whole.

2.2.17 *Employee Benefit Matters.* The PacifiCorp SEC Reports contain a true and complete description of all material bonus, option, incentive compensation, profit sharing, retirement, pension and other employee benefit plans or arrangements and employment agreements; and except as set forth in the PacifiCorp SEC Reports delivered to UP&L (a) each PacifiCorp Plan meets the requirements for qualification under Section 401(a) of the Code, (b) PacifiCorp has obtained a favorable determination letter from the Internal Revenue Service with respect to each Plan (which letters have not been revoked), and (c) PacifiCorp, its subsidiaries and the employee benefit plans maintained by them are not aware of having committed any material violation of any provision of ERISA or engaged in any transaction that would be prohibited by ERISA or by Section 4975 of the Code.

2.3 *Representations and Warranties Relating to Merging Corp.* PacifiCorp and Merging Corp. hereby represent and warrant to UP&L that:

2.3.1 *Organization and Good Standing.* Merging Corp. is a corporation duly organized, validly existing and in good standing under the laws of Oregon. Merging Corp. does not own any properties (other than the initial cash subscription for shares) nor has it commenced any business or operations.

2.3.2 *Capitalization.* Merging Corp. has authorized capital stock consisting of 100 shares of common stock, of which 100 shares were issued and outstanding on August 12, 1987. All of the issued and outstanding shares are owned by PacifiCorp.

2.3.3 *Corporate Authority.* Merging Corp. has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The Agreement has been duly and validly authorized by the board of directors and sole shareholder of Merging Corp., and constitutes the valid and binding obligation of Merging Corp. enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought. No action by or in respect of, or filing with, any governmental body, agency, or official is required in connection with the execution, delivery, or performance by Merging Corp. of this Agreement other than the following: the Public Service Commission of Wyoming, the Idaho Public Utilities Commission, the Washington Utilities and Transportation Commission, the Montana Public Service Commission, the Public Utility Commission of Oregon, the California Public Utilities Commission, the Utah Public Service

Commission, the Federal Energy Regulatory Commission, the Federal Trade Commission, the United States Department of Justice, the Securities and Exchange Commission, and the securities regulatory authorities in the states in which Merging Corp. shares would be issued.

2.3.4 *Litigation.* No litigation, proceeding, or governmental investigation is pending or, to the knowledge of Merging Corp., threatened against or relating to Merging Corp., its officers or directors in their capacities as such except those arising or resulting from this Agreement.

2.3.5 *Undisclosed Liabilities.* Merging Corp. has no obligations or liabilities of any nature, whether absolute, accrued, contingent, or otherwise, except those arising or resulting from this Agreement.

2.3.6 *Public Utility Holding Company Act; Regulation as Utility.* Merging Corp. is not a "Holding Company," an "Affiliate" or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended, and is not subject to regulation as a public utility or public service company (or similar designation) by any State in the United States.

## ARTICLE III

### COVENANTS

3.1 *Mutual Covenants.* UP&L and PacifiCorp mutually covenant and agree as follows:

3.1.1 *Investigations.* UP&L and PacifiCorp each agrees to use its reasonable best efforts to give the other and the other's representatives and agents full access to all the premises and books and records of it and its subsidiaries and to cause its and its subsidiaries' officers to furnish the other with such financial and operating data and other information with respect to the business and properties of it and its subsidiaries as the other shall from time to time request; provided, however, that any such investigation (a) shall be conducted in such manner as not to interfere unreasonably with the operation of the business of the other and the other's subsidiaries; and (b) shall not diminish any of the representations and warranties hereunder. UP&L and PacifiCorp will each return to the other all documents, work papers, and other materials obtained from the other and the other's subsidiaries in connection with the transactions contemplated hereby in the event of termination of this Agreement and will use all reasonable efforts to keep confidential any information obtained prior to the date hereof or pursuant to this Agreement unless such information is readily available from public or published information or required by law to be disclosed.

3.1.2 *Joint Proxy Materials and Shareholder Approvals.* As soon as practicable after the date hereof, UP&L and PacifiCorp will prepare and file, and PacifiCorp will cause Merging Corp. to file, a joint proxy/registration statement on the appropriate SEC form (the "Registration Statement"), which shall comply as to form with all applicable laws and will use their best efforts to have it declared effective. Each of UP&L and PacifiCorp will take all action necessary in accordance with applicable law and its governing instruments to convene a special meeting of its shareholders as promptly as practicable to consider and vote upon the approvals of this Agreement, the Merger and such other matters as are required or contemplated by this Agreement. Subject to fiduciary obligations under applicable law, the respective boards of directors of each of UP&L and PacifiCorp shall recommend such approval and use their respective best efforts to solicit such approval. UP&L agrees, as to information with respect to UP&L, its officers, directors, shareholders, and subsidiaries contained in the Registration Statement, and PacifiCorp agrees, as to information with respect to PacifiCorp, its officers, directors, shareholders, and subsidiaries contained in the Registration Statement, that such information, at the date the Registration Statement becomes effective and at the date of the meeting of the respective shareholders of UP&L and PacifiCorp, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.1.3 *Antitrust Improvements Act.* UP&L, PacifiCorp and Merging Corp. each will promptly and timely file, or cause to be filed, with the Federal Trade Commission and the Antitrust Division of the

Department of Justice all notifications, including responses to requests for information, required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder (the "Antitrust Improvements Act"). UP&L and PacifiCorp will cooperate as required to prepare their separate filings, and the filings of Merging Corp., and to supply any additional information which may be submitted to the Federal Trade Commission or the Department of Justice relating to the status of the transaction contemplated hereby under the antitrust laws, whether or not such additional information is requested or required under the Antitrust Improvements Act.

3.1.4 *Regulatory Approvals.* UP&L and PacifiCorp will cooperate, and PacifiCorp will cause Merging Corp. to cooperate, in the preparation and filing of all materials necessary and desirable as promptly as practicable after the execution of this Agreement to obtain the approval of the transactions contemplated by this Agreement or the disclaimer of jurisdiction with respect thereto by any regulatory body that, in the opinion of UP&L or PacifiCorp, has jurisdiction over the transactions contemplated by this Agreement, including but not limited to the Federal Energy Regulatory Commission and the public utility regulatory bodies of the States of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming. No document shall be filed with any regulatory body for purposes of obtaining the approval of the transactions contemplated hereby unless such document has been reviewed and approved by both UP&L and PacifiCorp.

3.1.5 *Other Consents and Approvals.* UP&L and PacifiCorp will cooperate and use their best efforts to secure, and PacifiCorp will cause Merging Corp. to cooperate and use its best efforts to secure, all consents, approvals, licenses or permits which may be required in connection with the Merger.

3.1.6 *Periodic Reports.* Until the Effective Time, UP&L and PacifiCorp will each furnish to the other all filings made with the SEC and all material mailed to their respective stockholders, in each case at least 24 hours prior to the time of such filings and the time of such mailings.

3.1.7 *Best Efforts.* Subject to the terms of this Agreement and fiduciary obligations under applicable law, UP&L and PacifiCorp each will use their reasonable best efforts, and PacifiCorp will cause Merging Corp. to use its reasonable best efforts, to effectuate the transactions contemplated hereby and to fulfill the conditions of their respective obligations under this Agreement described in Article IV.

3.1.8 *Publicity.* UP&L and PacifiCorp will consult with each other prior to issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and prior to making any filings with any federal or state governmental or regulatory agency or with any securities exchange with respect thereto.

3.2 *Covenants of UP&L.* UP&L covenants and agrees with PacifiCorp as follows:

3.2.1 *Conduct of Business.* Prior to the Effective Time, UP&L and its subsidiaries will carry on their businesses in the ordinary and usual manner and maintain their existing relationships with suppliers, customers, employees and business associates, and will not, without the prior written consent of PacifiCorp,

(a) amend their respective Articles of Incorporation or Bylaws;

(b) enter into any new arrangements or increase any compensation or benefits payable to their officers or employees other than in accordance with past practice except for:

(i) employment contracts entered into with each executive officer of UP&L, as follows:

(1) A one-year contract that honors existing officer salary and benefit conditions; reopens the terms of the 1987 UP&L Early Retirement Program, and provides an incentive of one year's salary if that executive officer remains with UP&L for the duration of the contract, or alternatively,

(2) A three-year contract that honors existing officer salary, benefit and performance based on merit increases; extends the terms of the 1987 UP&L Early Retirement

Program such that it may be exercised by the executive officer at any time during the three-year contract, provides an incentive of 18 months' salary if that executive officer remains with UP&L for the three-year duration of the contract and then opts for early retirement, and if agreeable to both the officer and UP&L, allows for two, year-to-year contract extensions beyond the initial three-year term; and

(ii) Special letters of employment with the individuals of UP&L holding assistant vice president status or key employees mutually agreed upon by the President of the PP&L Division and UP&L. Such letters of employment will identify specific bonuses to be paid for their continuation of employment, and if eligible by virtue of age and years of service, the provisions of the 1987 Early Retirement Program will also be extended.

(c) split, combine, or reclassify any of the outstanding shares of capital stock of UP&L or its subsidiaries or otherwise change the authorized capitalization of UP&L or its subsidiaries;

(d) declare, set aside, or pay any dividends payable in cash, stock, or property with respect to the shares of capital stock of UP&L, except for regular quarterly cash dividends not in excess of $.58 per share of UP&L Common Stock and the required per share quarterly cash dividend on each series of UP&L Preferred Stock;

(e) issue, sell, pledge, dispose of, or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments, or rights of any kind to acquire, any shares of the capital stock of any class of UP&L or its subsidiaries;

(f) redeem, purchase or otherwise acquire any shares of its capital stock except in the ordinary course of business consistent with past practice (including under UP&L's employee benefit and dividend reinvestment plans), subject to 3.2.2, merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it, or liquidate or sell or dispose of all or a substantial part of its assets;

(g) except for short-term indebtedness incurred in the ordinary course of business, incur, assume or guarantee any indebtedness in excess of an aggregate of $5,000,000, except for projects ongoing or already committed to, or repay any existing indebtedness except in the ordinary course of business or as required by the terms of such indebtedness; or

(h) enter into any material transaction or make any material commitment (whether or not subject to the approval of the Board of Directors of UP&L), except as otherwise contemplated or permitted by this Agreement or transactions with Nevada Power Company and Intermountain Power Agency which have previously been disclosed to PacifiCorp, or take or omit to take any action which could be reasonably anticipated to have a material adverse effect on the business, properties, financial condition, or results of operations of UP&L and its subsidiaries taken as a whole.

3.2.2 *Negotiations with Others.* Neither UP&L nor its subsidiaries will, and UP&L shall direct (and shall use its best efforts to cause) all of its and its subsidiaries' officers, directors, and employees and any investment banker, attorney, accountant, or other agent retained by UP&L or any of its subsidiaries not to, directly or indirectly, encourage, initiate or solicit any inquiries or the making of any proposal with respect to, or, except as required by applicable law, engage in negotiations concerning, or provide any confidential information or data to or have any discussions with, any person relating to, any acquisition, business combination, or purchase of all or part of the business or assets of, or any equity interest in, UP&L or any of its subsidiaries. UP&L will immediately cease any existing activities, discussions, or negotiations with any parties conducted heretofore with respect to any of the foregoing. UP&L will notify PacifiCorp immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, UP&L.

3.2.3 *Public Utility Holding Company Act.* Neither UP&L nor any of its subsidiaries will own or operate any facilities for the generation, transmission, or distribution of electric energy for sale, or own

or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light, or power, or engage in any other activities, which would cause UP&L or any of its subsidiaries to be deemed to be a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended, or which would cause Merging Corp. or any of its subsidiaries to be deemed to be a Holding Company, an Affiliate, or a Subsidiary Company under that Act after the Effective Time.

3.2.4 *Pooling Accounting.* Neither UP&L nor any of its subsidiaries will take any action that would prevent the Merger from being accounted for as a pooling of interests.

3.2.5 *Agreement by Directors and Affiliates.* UP&L will use its best efforts to cause to be delivered to Merging Corp. at or prior to the Closing, a written agreement, in form and substance reasonably satisfactory to Merging Corp., from each director and any person that counsel for UP&L may deem to be an "affiliate" within the meaning of such term as used in Rule 145 under the Securities Act of 1933, to the effect that no disposition of Merging Corp. Common Stock or Merging Corp. Preferred Stock received in the Merger will be made by such persons except within the limits and in accordance with the applicable provisions of (a) said Rule 145, as amended from time to time, or except in a transaction which, in the opinion of legal counsel reasonably satisfactory to Merging Corp., is exempt from registration under the Securities Act of 1933 and (b) Securities Act Release No. 5312 with respect to sales of Merging Corp. Common Stock or Merging Corp. Preferred Stock by affiliates until financial results covering at least 30 days of post-merger combined operations have been published.

3.3 *Covenants of PacifiCorp.* PacifiCorp covenants and agrees with UP&L as follows:

3.3.1 *Conduct of Business.* Prior to the Effective Time, PacifiCorp will not, without the prior written consent of UP&L,

(a) amend its Articles of Incorporation or Bylaws;

(b) split, combine, or reclassify any of the outstanding shares of capital stock of PacifiCorp or otherwise change the authorized capitalization of PacifiCorp;

(c) declare, set aside, or pay any dividends payable in cash, stock, or property with respect to the shares of capital stock of PacifiCorp, except for the regular quarterly cash dividends on PacifiCorp Common Stock at rates determined by its Board of Directors (not lower than the indicated annual rate at the date of this Agreement) and the required per share quarterly cash dividend on each class and series of PacifiCorp preferred stock outstanding;

(d) take or omit to take any action which could be reasonably anticipated to have a material adverse effect on the business, properties, financial condition or results of operations of PacifiCorp and its subsidiaries taken as a whole; or

(e) subject to Section 3.3.7, merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it, or liquidate or sell or dispose of all or a substantial part of its assets.

3.3.2 *Listing of Common Stock.* PacifiCorp will cause to be prepared and submitted to the New York Stock Exchange, the Pacific Stock Exchange, and The Stock Exchange, London, listing applications covering the shares of Merging Corp. Common Stock issuable in connection with the Merger and will use its reasonable best efforts to obtain, prior to the Closing, approval for the listing of such shares upon official notice of issuance or, in the case of The Stock Exchange, London, within 30 days thereafter.

3.3.3 *Blue Sky Permits.* PacifiCorp will use its reasonable best efforts to obtain, and will cause Merging Corp. to use its reasonable best efforts to obtain, prior to the effective date of the Registration Statement, all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated by this Agreement and the Merger.

3.3.4 *Public Utility Holding Company Act.* Neither PacifiCorp nor any of its subsidiaries (including, without limitation, Merging Corp.) will own or operate any facilities for the generation,

transmission, or distribution of electric energy for sale, or own or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light, or power, or engage in any other activities, which would cause PacifiCorp or any of its subsidiaries to be deemed to be a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

3.3.5 *Pooling Accounting.* Neither PacifiCorp nor any of its subsidiaries will take any action that would prevent the Merger from being accounted for as a pooling of interests.

3.3.6 *Agreement by Directors and Affiliates.* PacifiCorp will use its best efforts to cause to be delivered to Merging Corp. at or prior to the Closing, a written agreement, in form and substance reasonably satisfactory to Merging Corp., from each director and any person that counsel for PacifiCorp may deem to be an "affiliate" within the meaning of such term as used in Rule 145 under the Securities Act of 1933, to the effect that no disposition of Merging Corp. Common Stock or Merging Corp. Preferred Stock received in the Merger will be made by such persons except within the limits and in accordance with the applicable provisions of (a) said Rule 145, as amended from time to time, or except in a transaction which, in the opinion of legal counsel reasonably satisfactory to Merging Corp., is exempt from registration under the Securities Act of 1933 and (b) Securities Act Release No. 5312 with respect to sales of Merging Corp. Common Stock or Merging Corp. Preferred Stock by affiliates until financial results covering at least 30 days of post-merger combined operations have been published.

3.3.7 *Negotiations with Others.* PacifiCorp will, and PacifiCorp shall direct (and shall use its best efforts to cause) all of its officers, directors, and employees and any investment banker, attorney, accountant, or other agent retained by PacifiCorp not to, directly or indirectly, encourage, initiate or solicit any inquiries or the making of any proposal with respect to, or, except as required by applicable law, engage in negotiations concerning, or provide any confidential information or data to or have any discussions with, any person relating to, any acquisition, business combination, or purchase of all or a substantial part of the business or assets of PacifiCorp. PacifiCorp will notify UP&L immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, PacifiCorp.

3.4 *Covenants of Merging Corp.* Merging Corp. covenants and agrees with PacifiCorp and UP&L as follows:

3.4.1 *Conduct of Business.* Except as is contemplated by this Agreement, prior to the Effective Time, Merging Corp. will not engage in any business activities, or liquidate, or merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it, or increase its authorized capital stock or issue options, rights or warrants to purchase any of its capital stock.

3.4.2 *Indemnification; Insurance.* For six years after the Effective Time, Merging Corp. will indemnify, defend, and hold harmless the present and former officers, directors, employees, and agents of PacifiCorp, UP&L and their respective subsidiaries (an "Indemnified Party") against all losses, claims, damages, or liabilities arising out of actions or omissions occurring at or prior to the Effective Time to the full extent permitted under the Oregon Business Corporation Act or Merging Corp.'s Articles of Incorporation or By-Laws (to the extent consistent with applicable law). Merging Corp. will maintain PacifiCorp's and UP&L's existing officers' and directors' liability insurance, or comparable officers' and directors' liability insurance ("D&O Insurance") for a period of three years after the Effective Time; provided, however, that if the D&O Insurance expires or is terminated or canceled during such three-year period, Merging Corp. will use its reasonable best efforts to obtain as much D&O Insurance as can be obtained for the remainder of such period for a premium not in excess of the premium for such insurance at the time of such expiration, termination, or cancellation.

3.4.3 *Listing of Common Stock; Blue Sky Approvals.* Merging Corp. will cooperate with PacifiCorp to (a) prepare and submit the applications for listing referred to in Section 3.3.2 and secure approval of the listing, and (b) to obtain all necessary state securities law or "Blue Sky"

permits and approvals required to carry out the transactions contemplated by this Agreement and the Merger.

3.4.4 *Public Utility Holding Company Act.* Merging Corp. will not own or operate any facilities for the generation, transmission, or distribution of electric energy for sale, or own or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light, or power, or engage in any other activities, which would cause Merging Corp. to be deemed to be a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

3.4.5 *Pooling Accounting.* Merging Corp. will not take any action that would prevent the Merger from being accounted for as a pooling of interests.

3.4.6 *Supplemental Indentures; Assumption of Obligations.* At or before the Effective Time, Merging Corp. will authorize and enter into such supplemental indentures and take such other actions as are necessary to assume the obligations of PacifiCorp and UP&L as contemplated by this Agreement.

3.4.7 *Operations of Merging Corp. After Closing.* Unless otherwise approved by the UP&L Board (as defined in (d) below), Merging Corp. will conduct its operations following the Effective Time in accordance with the following:

(a) Merging Corp. will operate the business formerly conducted by UP&L as a division of Merging Corp. under the name "Utah Power & Light Company" (the "UP&L Division");

(b) Merging Corp. will cause three persons who are members of the Board of Directors of UP&L immediately prior to the Effective Time to be elected or appointed to the Board of Directors of Merging Corp. Thereafter, Merging Corp. will seek further appropriate representation of qualified persons residing within the UP&L Division service territory when recommending nominees to fill future vacancies on the Merging Corp. Board of Directors, with the purpose of effecting an eventual pro rata representation of the UP&L Division;

(c) Merging Corp. will maintain the headquarters of the UP&L Division in Salt Lake City, Utah;

(d) Merging Corp. will appoint a Board of Directors of the UP&L Division (the "UP&L Board"), which Board shall have substantially similar structure and authority as the Board of Directors of PacifiCorp's Pacific Power & Light Company division (the "PP&L Division"). Each member of the Board of Directors of UP&L immediately prior to the Effective Time shall be a member of the UP&L Board immediately subsequent to the Effective Time, provided such director shall have consented to serve on the UP&L Board;

(e) Each person who is presently an executive officer (vice president, controller, treasurer or higher in title) of UP&L shall be an executive officer of the UP&L Division immediately subsequent to the Effective Time. The executive officers of the UP&L Division shall report to the President of the UP&L Division, who shall in turn report to the UP&L Board;

(f) Merging Corp. also agrees to initiate a joint study of officers salaries and benefits. Any recommended changes after approval of the Board of Directors of Merging Corp. would be offered to UP&L Division officers. The intent of this joint study is to eliminate the necessity for continued individual UP&L officer employment contracts by providing a total compensation package that is competitive, integrated with that offered to officers of the PP&L Division and designed to promote harmonious relations between the two management groups;

(g) To promote continuity, understanding and good faith relations with UP&L employees, no changes in the existing administration and design of UP&L compensation and benefit programs will be implemented for a period of one year unless approved by the UP&L Board.

During this time, the Human Resource Departments of the UP&L Division and the PP&L Division will undertake a joint study of recommended changes and a proposed time frame for implementation, where appropriate. However, it is the intent of Merging Corp. that, under any circumstances, the employees of the UP&L Division will be provided a total benefits package that is no less favorable than those benefits provided to employees of the PP&L Division; and

(h) Merging Corp. specifically agrees to honor all contracts of UP&L entered into pursuant to Section 3.2.1(b) (i) and (ii).

3.4.8 At the Effective Time, Merging Corp. shall issue and deliver, or shall cause to be issued and delivered, in accordance with the provisions of Article I hereto, stock certificates representing the number of shares of Merging Corp. Common Stock and the number and designations of Merging Corp. Preferred Stock to effect the exchanges contemplated by Sections 1.3.1, 1.3.2, 1.3.3 and 1.3.4.

## ARTICLE IV

### CONDITIONS

4.1 *Conditions to the Obligations of All Parties.* The obligations of UP&L, PacifiCorp and Merging Corp. to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or before the Closing of each of the following conditions:

4.1.1 *Shareholder Approval.* This Agreement and the Merger shall have been duly adopted and approved by the requisite vote of the shareholders of UP&L and PacifiCorp in accordance with applicable law and the parties' respective articles of incorporation and by-laws.

4.1.2 *Regulatory Approvals.* The parties shall have made all filings and received all approvals of any governmental or regulatory agency of competent jurisdiction necessary in order to consummate the Merger, and each of such approvals shall be in full force and effect at the Closing and not subject to any condition which requires the taking or refraining from taking of any action which would have a material adverse effect on UP&L and its subsidiaries and PacifiCorp and its subsidiaries taken as a whole.

4.1.3 *Antitrust Improvements Act.* All filings required to be made under the Antitrust Improvements Act shall have been made, and the waiting period thereunder shall have expired or been terminated.

4.1.4 *Registration Statement.* The Registration Statement shall have become effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated by the SEC.

4.1.5 *Listing of Common Stock.* The New York Stock Exchange and Pacific Stock Exchange shall have approved the listing, upon official notice of issuance, of all shares of Merging Corp. Common Stock to be issued in connection with the Merger.

4.1.6 *Tax Opinion.* UP&L and PacifiCorp shall have received from Stoel Rives Boley Jones & Grey a tax opinion dated the Closing Date substantially in the form of Exhibit C. In rendering such opinion, counsel may rely, as to matters of fact, upon representations of officers, directors, and shareholders of UP&L, PacifiCorp and Merging Corp.

4.1.7 *Litigation.* There shall not be in effect any order, decree, or injunction of a court of competent jurisdiction restraining, enjoining, or prohibiting the consummation of the transactions contemplated by this Agreement (each party agreeing to use its best efforts, including appeals to higher courts, to have any such order, decree or injunction set aside or lifted), and no action shall have been taken, and no statute, rule, or regulation shall have been enacted, by any state or federal government or governmental agency in the United States which would prevent the consummation of the Merger.

4.1.8 *Consents and Approvals.* All nongovernmental consents and approvals necessary for consummation of the Merger shall have been obtained, other than those which, if not obtained, would

not, in the aggregate, have a material adverse effect on UP&L and its subsidiaries and PacifiCorp and its subsidiaries taken as a whole.

4.2 *Conditions to Obligations of UP&L.* The obligations of UP&L to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or before the Closing of each of the following conditions:

4.2.1 *Representations, Warranties, and Covenants.* The representations and warranties of PacifiCorp and Merging Corp. contained in this Agreement shall be correct in all material respects (a) at the date of this Agreement, and (b) as of the Closing with the same effect as though made on and as of such date, except for changes specifically contemplated by this Agreement, and PacifiCorp and Merging Corp. shall have performed in all material respects all of their respective covenants and obligations hereunder theretofore to be performed, and UP&L shall have received at the Closing certificates to that effect, dated the Closing Date, and executed on behalf of PacifiCorp by an executive officer of PacifiCorp and on behalf of Merging Corp. by an executive officer of Merging Corp. For purposes of affirming the accuracy of the representations and warranties of PacifiCorp made as of the Closing, the term "PacifiCorp SEC Reports" shall be deemed to include all registration statements, reports and proxy statements, including all amendments thereto, filed by PacifiCorp with the SEC after the date of this Agreement and prior to Closing.

4.2.2 *Opinion of Counsel.* UP&L shall have received from Stoel Rives Boley Jones & Grey, counsel to PacifiCorp, an opinion dated the Closing Date substantially in the form of Exhibit D. In rendering such opinion, such counsel may rely, to the extent such counsel deems such reliance necessary or appropriate, upon the opinions of other counsel, in form and substance satisfactory to UP&L (or may deliver such opinions of other counsel each dated as of the Closing Date and addressed to UP&L), and as to matters of fact upon certificates of government officials and of any officials of PacifiCorp or any PacifiCorp subsidiary, provided that the extent of such reliance is set forth in such opinion.

4.2.3 *Auditors' Opinion.* UP&L shall have received an opinion of Deloitte Haskins & Sells in form and substance satisfactory to UP&L that the Merger may be accounted for as a pooling of interests.

4.2.4 *No Material Adverse Change.* Since the date hereof there shall have been no material adverse change, or discovery of a condition or occurrence of an event which has resulted or reasonably can be expected to result in a material adverse change, in the business, properties, financial condition, or results of operations of PacifiCorp and its subsidiaries taken as a whole.

4.2.5 *Comfort Letters.* UP&L shall have received from Deloitte Haskins & Sells, independent auditors for PacifiCorp, letters dated the effective date of the Proxy and Registration Statement and the Closing Date substantially to the effect set forth in Exhibit E.

4.2.6 *Fairness Opinion.* UP&L shall have received the opinion of Kidder, Peabody & Co. Incorporated, dated the date of the Proxy and Registration Statement, that the exchange ratio contained in Sections 1.3.1 and 1.3.3 are fair to the shareholders of UP&L from a financial point of view.

4.3 *Conditions to the Obligations of PacifiCorp and Merging Corp.* The obligations of PacifiCorp and Merging Corp. to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or before the Closing of each of the following conditions:

4.3.1 *Representations, Warranties, and Covenants.* The representations and warranties of UP&L contained in this Agreement shall be correct in all material respects (a) at the date of this Agreement and (b) as of the Closing Date with the same effect as though made on and as of such date, except for changes specifically contemplated by this Agreement, and UP&L shall have performed in all material respects all of its covenants and obligations hereunder theretofore to be performed, and PacifiCorp shall have received at the Closing a certificate to that effect, dated the Closing Date, and executed on behalf of UP&L by an executive officer of UP&L. For purposes of affirming the accuracy of the

representations and warranties of UP&L made as of the Closing, the term "UP&L SEC Reports" shall be deemed to include all registration statements, reports and proxy statements, including all amendments thereto, filed by UP&L with the SEC after the date of this Agreement and prior to the Closing.

4.3.2 *Opinion of Counsel.* PacifiCorp shall have received from Reid & Priest, counsel to UP&L, an opinion dated the Closing Date substantially in the form of Exhibit F. In rendering such opinion, such counsel may rely, to the extent such counsel deems such reliance necessary or appropriate, upon the opinions of other counsel, in form and substance satisfactory to PacifiCorp (or may deliver such opinions of other counsel each dated as of the Closing Date and addressed to PacifiCorp), and as to matters of fact upon certificates of government officials and of any officials of UP&L or any UP&L subsidiary, provided that the extent of such reliance is set forth in such opinion.

4.3.3 *Auditors' Opinion.* PacifiCorp shall have received an opinion of Deloitte Haskins & Sells in form and substance satisfactory to PacifiCorp that the Merger may be accounted for as a pooling of interests.

4.3.4 *No Material Adverse Change.* Since the date hereof there shall have been no material adverse change, or discovery of a condition or occurrence of an event which has resulted or reasonably can be expected to result in such change, in the business, properties, financial condition, or results of operations of UP&L and its subsidiaries, other than changes permitted under or contemplated by this Agreement.

4.3.5 *Fairness Opinion.* PacifiCorp shall have received the opinion of The First Boston Corporation, dated the date of the Proxy and Registration Statement, that the exchange ratios contained in Sections 1.3.1 and 1.3.3 are fair to the shareholders of PacifiCorp from a financial point of view.

4.3.6 *Comfort Letters.* PacifiCorp shall have received from Deloitte Haskins & Sells, independent auditors for UP&L, letters dated the effective date of the Proxy and Registration Statement and the Closing Date substantially to the effect set forth in Exhibit E.

## ARTICLE V

### TERMINATION

5.1 *Termination by Mutual Consent.* This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the approval by shareholders of the parties hereto, by the mutual consent of UP&L and PacifiCorp by action of their respective boards of directors.

5.2 *Termination by Either UP&L or PacifiCorp.* This Agreement may be terminated and the Merger may be abandoned by action of the board of directors of either UP&L or PacifiCorp if (a) the Merger shall not have become effective on or prior to August 12, 1988, (b) the requisite vote of the shareholders of either UP&L or PacifiCorp to approve the Merger and related matters shall not be obtained at the meetings, or any adjournments thereof, called therefor, (c) any governmental or regulatory body the consent of which is a condition to the obligations of UP&L and PacifiCorp to consummate the transactions contemplated by this Agreement pursuant to Section 4.1.2 shall have determined not to grant its consent and all appeals of such determination shall have been taken and have been unsuccessful, or (d) any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree (other than a temporary restraining order) restraining, enjoining or otherwise prohibiting the Merger and such order, judgment or decree shall have become final and nonappealable.

5.3 *Termination or Adjustment of Conversion Formula.* If the PacifiCorp Closing Price is equal to or less than $33.70, UP&L may elect to terminate this Agreement by delivering a written notice of termination, which shall be irrevocable, to PacifiCorp and Merging Corp. at any time prior to 4:00 P.M. Eastern Time on the second day following the final day of the Computation Period; this Agreement shall

terminate effective at 4:00 P.M. Eastern Time on the second day following the date on which UP&L delivered such written notice of termination to PacifiCorp and Merging Corp., unless PacifiCorp and Merging Corp. elect by delivering a written notice of election, which shall be irrevocable, to UP&L, prior to such time, to provide that, in the Merger, each share of UP&L Common Stock shall be converted into that number of shares of Merging Corp. Common Stock determined by dividing $32.25 by the PacifiCorp Closing Price.

5.4 *Effect of Termination and Abandonment.* In the event of termination of this Agreement and abandonment of the Merger pursuant to this Article V, no party hereto (or any of its directors or officers) shall have any liability or further obligation to any other party to this Agreement, except as provided in the second sentence of Section 6.2 and except that nothing herein will relieve any party from liability for any wilful breach of this Agreement.

## ARTICLE VI

### MISCELLANEOUS AND GENERAL

6.1 *Payment of Expenses.* If the Merger is not consummated, each party shall pay its own expenses incident to this Agreement and the transactions contemplated herein. If the Merger is consummated, Merging Corp. as the surviving corporation will pay those expenses to the extent they have not already been paid.

6.2 *Survival.* The agreements contained in Sections 1.3.5, 1.5, 3.4.2, 3.4.5, 3.4.6, 3.4.7 and 6.1 shall survive the consummation of the Merger. The respective agreements of UP&L and PacifiCorp contained in Sections 3.1.1 and 6.1 shall survive the termination of this Agreement. All other representations, warranties, agreements, and covenants in this Agreement shall not survive the consummation of the Merger and shall expire with, and be terminated and extinguished by, the Closing.

6.3 *Entire Agreement.* This Agreement, including the exhibits hereto, constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, oral and written, among the parties hereto with respect to the subject matter hereof.

6.4 *Assignment.* This Agreement shall not be assignable by any of the parties hereto without the prior written consent of each other party.

6.5 *Binding Effect; Benefit.* This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, subject to the restrictions on assignment contained in Section 6.4. Except for rights of Indemnified Parties under Section 3.4.2, nothing express or implied in this Agreement is intended or shall be construed to confer upon or give to a person, firm or corporation other than the parties hereto any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

6.6 *Amendment and Modification.* Subject to applicable law, this Agreement may be amended, modified, and supplemented at any time prior to or at the Closing, whether before or after the votes of shareholders of UP&L and PacifiCorp, by written agreement approved by the boards of directors of UP&L, PacifiCorp and Merging Corp.; provided, however, that after the votes of shareholders of UP&L and PacifiCorp no such amendment, modification or supplement may be made which in any way materially adversely affects the rights of any class of shareholders without a further vote by the affected shareholders to approve such amendment, modification or supplement.

6.7 *Waiver of Conditions.* The conditions to each of the parties' obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law; provided, however, that any waiver by a party must be in writing.

6.8 *Counterparts.* For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

6.9 *Captions.* The article, section, and paragraph captions herein are for convenience of reference only, do not constitute a part of this Agreement, and shall not be deemed to limit or otherwise affect any of the provisions hereof.

6.10 *Definitions.* (a) When a reference is made in this Agreement to a subsidiary of a party, the term "subsidiary" means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its subsidiaries, or by such party and one or more of its subsidiaries; (b) when a reference is made to a "Significant Subsidiary," it means a subsidiary which is a "significant subsidiary" as that term is defined in Rule 1-02(v) of Regulation S-X promulgated by the SEC (as in effect on the date of this Agreement); and (c) when a reference is made "to the knowledge" of any party, it means to the best knowledge and belief of such party after due inquiry.

6.11 *Definition of "Material".* The term "material" shall mean material to the business, properties, financial condition, or results of operations of a party and its subsidiaries taken as a whole, except where the context clearly indicates to the contrary.

6.12 *Notices.* All notices, requests, demands, waivers, and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or mailed, certified or registered mail with postage prepaid, or sent by telex, telegram, or telecopier as follows:

If to UP&L, to it at:

1407 W. North Temple
Salt Lake City, Utah 84140
Attention: Mr. Frank N. Davis

with copies to:

S. G. Baucom, Esq.
General Counsel
Utah Power & Light Company
1407 W. North Temple
Salt Lake City, Utah 84140

and

Reid & Priest
40 West 57th Street
New York, New York 10019
Attention: Louis J. Barash, Esq.

If to PacifiCorp or Merging Corp., to it at:

1600 Pacific First Federal Center
851 SW Sixth Avenue
Portland, Oregon 97204
Attention: Mr. Don C. Frisbee

with copies to:

Stoel Rives Boley Jones & Grey
900 SW Fifth Avenue
Portland, Oregon 97204
Attention: John Detjens, III, Esq.

or to such other person or address as either party shall specify by notice in writing. All such notices, requests, demands, waivers, and communications shall be deemed to have been received on the date of delivery or on the third business day after the mailing thereof. Notwithstanding any statement to the contrary contained in this Section 6.12, any notice sent pursuant to Section 5.3 shall be effective only upon actual delivery to, or telex, telegram or telecopy received by, an executive officer of the party to whom the notice is directed.

6.13 *Choice of Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon regardless of the laws that might otherwise govern under applicable principles of

conflicts of law, except that the provisions of this Agreement relating to the Merger shall also be governed by the merger provisions of the laws of the States of Utah and Maine.

6.14 *Attorneys' Fees.* If suit or action is filed by any party to enforce the provisions of this Agreement or otherwise with respect to the subject matter of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees as fixed by the trial court and, if any appeal is taken from the decision of the trial court, reasonable attorneys' fees as fixed by the appellate court.

6.15 *Separability.* Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such interpretation shall be interpreted to be only so broad as is enforceable.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first hereinabove written.

UTAH POWER & LIGHT COMPANY

By VERL R. TOPHAM
*Senior Vice President*

PACIFICORP

By A. M. GLEASON
*President*

PC/UP&L MERGING CORP.

By DON C. FRISBEE
*Chairman of the Board*

## PLAN OF MERGER

a. *Parties.* The names of the participating corporations in the merger ("Merger") are PacifiCorp, a Maine corporation ("PacifiCorp"), Utah Power & Light Company, a Utah corporation ("UP&L"), and PC/UP&L Merging Corp., an Oregon corporation ("Merging Corp."). Merging Corp. shall be the surviving corporation into which PacifiCorp and UP&L shall merge.

b. *Terms and Conditions.* Upon consummation of the Merger, PacifiCorp and UP&L each shall be merged with and into Merging Corp. in the manner and with the effect provided by the Maine Business Corporation Act (MBCA), the Utah Business Corporation Act (UBCA), and the Oregon Business Corporation Act, the separate existence of PacifiCorp and UP&L shall cease and thereupon UP&L, PacifiCorp, and Merging Corp. shall be a single corporation subject to the Articles of Incorporation, as amended pursuant to paragraph d. of this Plan of Merger, and By-Laws of Merging Corp.

c. *Conversion of Shares.* The manner and basis of converting the shares of each participating corporation into shares or securities of the surviving corporation shall be as follows:

(i) *PacifiCorp Common Stock.* Each share of PacifiCorp Common Stock, $3.25 par value, which shall be outstanding immediately before the Effective Time of the Merger ("Effective Time") shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become one share of Merging Corp. Common Stock, $3.25 par value ("Merging Corp. Common Stock").

(ii) *PacifiCorp Preferred Stock.* Each share of PacifiCorp Serial Preferred Stock, $100 par value, each share of PacifiCorp 5% Preferred Stock, $100 par value, and each share of PacifiCorp No Par Serial Preferred Stock (collectively, "PacifiCorp Preferred Stock") which shall be outstanding immediately before the Effective Time (other than shares with respect to which the holder thereof has properly perfected dissenters' rights if the holders of PacifiCorp Preferred Stock shall be deemed to have the right to dissent under the MBCA) shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become one share of that class and series of Merging Corp. Preferred Stock (collectively, "Merging Corp. Preferred Stock") bearing the same name as the share of PacifiCorp Preferred Stock that is converted.

(iii) *UP&L Common Stock.* Each share of UP&L Common Stock, $6.40 par value ("UP&L Common Stock"), which shall be outstanding immediately before the Effective Time shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become [*determined under Sections 1.3.3 and 5.3 of the Agreement and Plan of Reorganization and Merger (the "Agreement")*] shares of Merging Corp. Common Stock.

(iv) *UP&L Cumulative Preferred Stock.* Each share of UP&L Cumulative Preferred Stock (Series A through E), $25 par value (the "UP&L Preferred Stock"), which shall be issued and outstanding immediately before the Effective Time (other than shares with respect to which the holder thereof has properly perfected dissenters' rights pursuant to Sections 16-10-75 and 16-10-76 of the UBCA) shall by virtue of the Merger and without any action on the part of the holder thereof, cease to exist and be converted into and become one share of that series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate as the share of UP&L Preferred Stock that is converted.

(v) *Surrender of Certificates.* After the Effective Time, each holder of shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock outstanding immediately prior to the Effective Time shall, upon surrender for cancellation of a certificate or certificates representing such shares to Merging Corp. or its agent designated for such purpose, be entitled to receive a certificate or certificates representing the number of shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares of PacifiCorp

Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall have been converted pursuant to the provisions of clauses (i), (ii), (iii), and (iv) of this paragraph c. Until so surrendered, the certificates which prior to the Merger represented shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall be deemed, for all corporate purposes, to evidence ownership of the shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares of PacifiCorp Common Stock, PacifiCorp Preferred Stock, UP&L Common Stock or UP&L Preferred Stock shall have been converted; provided, however, that no dividends with respect to shares of UP&L Common Stock or UP&L Preferred Stock shall be paid until the holder shall have surrendered certificates therefor, at which time the holder shall be paid the amount of dividends, if any, without interest, which shall theretofore have become payable with respect to the shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock into which such shares shall have been converted. If any certificate for shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer, and that the person requesting such exchange pay to Merging Corp. or its agent designated for such purpose any transfer or other taxes required by reason of the issuance of a certificate for shares of Merging Corp. Common Stock or Merging Corp. Preferred Stock in any name other than that of the registered holder of the certificate surrendered, or establish to the satisfaction of Merging Corp. or its agent that such tax has been paid or is not payable.

(vi) *Treasury Shares.* At the Effective Time, all shares of PacifiCorp Common Stock or PacifiCorp Preferred Stock that shall then be held in its treasury, if any, and all shares of UP&L Common Stock or UP&L Preferred Stock that shall then be held in its treasury, if any, shall automatically cease to exist without being converted hereunder and all certificates representing such shares shall be canceled.

(vii) *Certain Adjustments.* If, between the date of the Agreement and the Effective Time, the outstanding shares of UP&L Common Stock or the outstanding shares of PacifiCorp Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split, stock dividend, exchange of shares, or similar adjustment, the number of shares of UP&L Common Stock to be converted into shares of Merging Corp. stock by virtue of the Merger shall be appropriately adjusted.

(viii) *Fractional Shares.* No fractional shares of Merging Corp. Common Stock shall be issued in the Merger but, in lieu of any such fractional shares, each holder of shares of UP&L Common Stock who would otherwise have been entitled to a fraction of a share of Merging Corp. Common Stock upon surrender of stock certificates as provided in clause (v) of this paragraph c will upon such surrender be paid an amount of cash (without interest) determined by multiplying (a) [*the PacifiCorp Closing Price determined under Section 1.3.3 of the Agreement*] by (b) the fractional share interest in Merging Corp. Common Stock to which such holder would otherwise be entitled pursuant to the terms of clause (iii) of this paragraph c.

(ix) *Merging Corp. Common Stock.* Each share of Merging Corp. Common Stock outstanding immediately prior to the Effective Time shall be deemed canceled and shall automatically cease to exist.

d. *Amendments to Articles of Incorporation.* As of the Effective Time, the Articles of Incorporation of Merging Corp. shall be amended and restated to read in their entirety as set forth in Exhibit B to the Agreement and attached hereto as Appendix I and incorporated herein.

e. *Directors.* The persons who shall serve as the directors of Merging Corp. from the Effective Time until the annual meeting of shareholders of Merging Corp. next following the Effective Time and thereafter until their successors shall have been elected and qualified, or until earlier death, resignation, or removal, and the class to which each such person shall belong, are as follows:

| Name | Class |
|---|---|
| Charles M. Binkley | I |
| F. Paul Carlson | I |
| John C. Hampton | I |
| Betty E. Hawthorne | I |
| William D. Hendry | I |
| Philip H. Knight | I |
| C. Todd Conover | II |
| Stanley K. Hathaway | II |
| Louis B. Perry | II |
| Robert A. Skotheim | II |
| Roy A. Young | II |
| Richard C. Edgley | II |
| C. M. Bishop, Jr. | III |
| Don C. Frisbee | III |
| Eugene L. Shields | III |
| A. W. Sweet | III |
| Nancy Wilgenbusch | III |

PacifiCorp shall name a replacement for any director provided for hereinabove who shall, prior to the Effective Time, be unable or unwilling to serve.

After the Effective Time, three additional directors of Merging Corp. will be designated under Section 3.4.7(b) of the Agreement.

f. *Termination.* This Plan of Merger may be terminated and abandoned at any time prior to the Effective Time by either UP&L or PacifiCorp by action of its Board of Directors in the event the Agreement is terminated.

A complete copy of the Restated Articles of Incorporation of PacifiCorp, an Oregon corporation, (Restated Articles) is available upon request. See "AVAILABLE INFORMATION" in the Joint Proxy Statement/Prospectus to which the Agreement and Plan of Reorganization and Merger is an exhibit.

THE TEXT OF SELECTED SECTIONS OF THE RESTATED ARTICLES WHICH FOLLOWS IS NOT INTENDED TO BE COMPLETE AND IS NOT INTENDED AS A SUMMARY OF THE ENTIRE RESTATED ARTICLES. See "INFORMATION CONCERNING MERGING CORP.—Articles of Incorporation of Merging Corp." and "COMPARISON OF SHAREHOLDER RIGHTS" in the Joint Proxy Statement/Prospectus for a description of certain provisions of the Restated Articles.

## RESTATED ARTICLES OF INCORPORATION

## OF

## PACIFICORP

* * *

### ARTICLE II

The purposes for which the Company is organized are the manufacture, production, generation, storage, utilization, purchase, sale, supply, transmission, distribution, or disposition of electric energy, natural or artificial gas, water or steam, or power produced thereby; and the transaction of any and all other lawful businesses for which corporations may be organized under the Oregon Business Corporation Act.

### ARTICLE III

(1) The total amount of the authorized capital stock of the Company is 319,626,533 shares, divided into 126,533 shares of 5% Preferred Stock of the par value of $100 per share, 3,500,000 shares of Serial Preferred Stock of the par value of $100 per share, 16,000,000 shares of No Par Serial Preferred Stock, without par value (the 5% Preferred Stock, the Serial Preferred Stock and the No Par Serial Preferred Stock collectively referred to herein as the "Senior Securities"), and 300,000,000 shares of Common Stock of the par value of $3.25 per share.

* * *

### ARTICLE VI

(1) The number of directors of the Company shall be not less than nine (9) nor more than twenty-one (21), and within such limits the exact number shall be fixed and increased or decreased from time to time by resolution of the Board of Directors. At the effective date of the merger of PacifiCorp, a Maine corporation, and Utah Power & Light Company, a Utah corporation, into the Company, the directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class ("Class I") to expire at the 1988 annual meeting of shareholders, the term of office of the second class ("Class II") to expire at the 1989 annual meeting of shareholders and the term of office of the third class ("Class III") to expire at the 1990 annual meeting of shareholders. At each annual meeting of shareholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected to serve three-year terms and until their successors are elected and qualified, so that the term of one class of directors will expire each year. When the number of directors is changed within the limits provided herein, any newly created directorships, or any decrease in

directorships, shall be so apportioned among the classes as to make all classes as nearly equal as possible, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(2) All or any number of the directors of the Company may be removed without cause only at a meeting of shareholders called expressly for that purpose, by the vote of 80 percent of the votes then entitled to be cast for the election of directors. The shareholders may remove all or any number of directors for cause at a meeting of shareholders called expressly for that purpose by the vote of two-thirds of the votes then entitled to be cast for the election of directors. At any meeting of shareholders at which one or more directors are removed, a majority of the votes then entitled to be cast for the election of directors may fill any vacancy created by such removal. If any vacancy created by removal of a director is not filled by the shareholders at the meeting at which the removal is effected, such vacancy may be filled by a majority vote of the remaining directors.

(3) The provisions of this Article VI may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of not less than 80 percent of the votes then entitled to be cast for the election of directors.

## ARTICLE VII

The Company's Bylaws may be amended or repealed or new bylaws may be made: (a) by the affirmative vote of the holders of record of a majority of the outstanding capital stock of the Company entitled to vote thereon, irrespective of class, given at any annual or special meeting of the shareholders; provided that notice of the proposed amendment, repeal or new bylaw or bylaws be included in the notice of such meeting or waiver thereof; or (b) by the affirmative vote of a majority of the entire Board of Directors given at any regular meeting of the Board, or any special meeting thereof; provided that notice of the proposed amendment, repeal or new bylaw or bylaws be included in the notice of such meeting or waiver thereof or all of the directors at the time in office be present at such meeting.

## ARTICLE VIII

(1) Whether or not a vote of shareholders is otherwise required, the affirmative vote of the holders of not less than 80 percent of the outstanding shares of "Voting Stock" (as hereinafter defined) of the Company shall be required for the approval or authorization of any "Business Transaction" (as hereinafter defined) with any "Related Person" (as hereinafter defined) or any Business Transaction in which a Related Person has an interest (except proportionately as a shareholder of the Company); provided, however, that the 80 percent voting requirement shall not be applicable if either:

(a) The "Continuing Directors" (as hereinafter defined) of the Company by at least a two-thirds vote (a) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Related Person to become a Related Person, or (b) have expressly approved such Business Transaction; or

(b) The cash or fair market value (as determined by at least a majority of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Company (other than the Related Person) in the Business Transaction is not less than the "Highest Purchase Price" or the "Highest Equivalent Price" (as those terms are hereinafter defined) paid by the Related Person involved in the Business Transaction in acquiring any of its holdings of the Company's Voting Stock.

(2) For purposes of this Article VIII:

(a) The term "Business Transaction" shall include, without limitation, (a) any merger, consolidation or plan of exchange of the Company, or any entity controlled by or under common

control with the Company, with or into any Related Person, or any entity controlled by or under common control with such Related Person, (b) any merger, consolidation or plan of exchange of a Related Person, or any entity controlled by or under common control with such Related Person, with or into the Company or any entity controlled by or under common control with the Company, (c) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of transactions), including without limitation a mortgage or any other security device, of all or any "Substantial Part" (as hereinafter defined) of the property and assets of the Company, or any entity controlled by or under common control with the Company, to a Related Person, or any entity controlled by or under common control with such Related Person, (d) any purchase, lease, exchange, transfer or other acquisition (in one transaction or a series of transactions), including without limitation a mortgage or any other security device, of all or any Substantial Part of the property and assets of a Related Person or any entity controlled by or under common control with such Related Person, by the Company or any entity controlled by or under common control with the Company, (e) any recapitalization of the Company that would have the effect of increasing the voting power of a Related Person, (f) the issuance, sale, exchange or other disposition of any securities of the Company, or of any entity controlled by or under common control with the Company, by the Company or by any entity controlled by or under common control with the Company, (g) any liquidation, spin-off, split-off, split-up or dissolution of the Company, and (h) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Transaction.

(b) The term "Related Person" shall mean and include (a) any individual, corporation, association, trust, partnership or other person or entity (a "Person") which, together with its "Affiliates" (as hereinafter defined) and "Associates" (as hereinafter defined), "Beneficially Owns" (as defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect at June 13, 1984) in the aggregate 20 percent or more of the outstanding Voting Stock of the Company, and (b) any Affiliate or Associate (other than the Company or a subsidiary of the Company of which the Company owns, directly or indirectly, more than 80 percent of the voting stock) of any such Person. Two or more Persons acting in concert for the purpose of acquiring, holding or disposing of Voting Stock of the Company shall be deemed a "Person."

(c) Without limitation, any share of Voting Stock of the Company that any Related Person has the right to acquire at any time (notwithstanding that Rule 13d-3 deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, contract, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by such Related Person and to be outstanding for purposes of clause (b) above.

(d) For the purposes of subparagraph (ii) of paragraph 1 of Article VIII, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Company retained by its existing shareholders, other than any Related Person or other Person who is a party to such Business Transaction, in the event of a Business Transaction in which the Company is the survivor.

(e) The term "Voting Stock" shall mean all of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, considered as one class, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(f) The term "Continuing Director" shall mean a director of the Company who became a director on the effective date of the merger of PacifiCorp, a Maine corporation, and Utah Power & Light Company, a Utah corporation, into the Company, provided that any person becoming a director subsequent to such date whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least a majority of the Continuing Directors shall be considered a Continuing Director.

(g) A Related Person shall be deemed to have acquired a share of the Voting Stock of the Company at the time when such Related Person became the Beneficial Owner thereof. With respect

to the shares owned by Affiliates, Associates or other Persons whose ownership is attributed to a Related Person under the foregoing definition of Related Person, if the price paid by such Related Person for such shares is not determinable by a majority of the Continuing Directors, the price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other Person or (b) the market price of the shares in question at the time when such Related Person became the Beneficial Owner thereof.

(h) The terms "Highest Purchase Price" and "Highest Equivalent Price" as used in this Article VIII shall mean the following: If there is only one class of capital stock of the Company issued and outstanding, the Highest Purchase Price shall mean the highest price that can be determined to have been paid at any time by the Related Person involved in the Business Transaction for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Company issued and outstanding, the Highest Equivalent Price shall mean, with respect to each class and series of capital stock of the Company, the amount determined by a majority of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent to the highest price that can be determined to have been paid at any time by the Related Person for any share or shares of any class or series of capital stock of the Company. The Highest Purchase Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by a Related Person with respect to the shares of capital stock of the Company acquired by such Related Person. In the case of any Business Transaction with a Related Person, the Continuing Directors shall determine the Highest Purchase Price or the Highest Equivalent Price for each class and series of the capital stock of the Company. The Highest Purchase Price and Highest Equivalent Price shall be appropriately adjusted to reflect the occurrence of any reclassification, recapitalization, stock split, reverse stock split or other readjustment in the number of outstanding shares of capital stock of the Company, or the declaration of a stock dividend thereon, between the last date upon which the Related Party paid the Highest Purchase Price or Highest Equivalent Price and the effective date of the merger or consolidation or the date of distribution to shareholders of the Company of the proceeds from the sale of all or substantially all of the assets of the Company.

(i) The term "Substantial Part" shall mean 10 percent or more of the fair market value of the total assets of the Person in question, as reflected on the most recent balance sheet of such Person existing at the time the shareholders of the Company would be required to approve or authorize the Business Transaction involving the assets constituting any such Substantial Part.

(j) The term "Affiliate," used to indicate a relationship with a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

(k) The term "Associate," used to indicate a relationship with a specified Person, shall mean (a) any entity of which such specified Person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (b) any trust or other estate in which such specified Person has a substantial beneficial interest or as to which such specified Person serves as trustee or in a similar fiduciary capacity, (c) any relative or spouse of such specified Person, or any relative of such spouse, who has the same home as such specified Person or who is a director or officer of the Company or any of its subsidiaries, and (d) any Person who is a director or officer of such specified Person or any of its parents or subsidiaries (other than the Company or an entity controlled by or under common control with the Company).

(l) The term "Subsidiary," when used to indicate a relationship with a specified Person, shall mean an Affiliate controlled by such Person directly, or indirectly through one or more intermediaries.

3. For the purposes of this Article VIII, a majority of the Continuing Directors shall have the power to make a good faith determination, on the basis of information known to them, of: (i) the number of shares of Voting Stock that any Person Beneficially Owns, (ii) whether a Person is an Affiliate or Associate of another, (iii) whether a Person has an agreement, contract, arrangement or understanding with another as to the matters referred to in subparagraph (2)(i)(h) or (2)(iii) hereof, (iv) whether the assets subject to

any Business Transaction constitute a Substantial Part, (v) whether any Business Transaction is one in which a Related Person has an interest (except proportionately as a shareholder of the Company), and (vi) such other matters with respect to which a determination is required under this Article VIII.

4. The provisions set forth in this Article VIII may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than 80 percent of the outstanding shares of Voting Stock of the Company.

## ARTICLE IX

The Company shall indemnify to the fullest extent not prohibited by law any person who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit or proceeding by or in the right of the Company) by reason of the fact that the person is or was a director, officer, employee or agent of the Company or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Company, or serves or served at the request of the Company as a director, officer, employee or agent, or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise. The Company shall pay for or reimburse the reasonable expenses incurred by any such person in any such proceeding in advance of the final disposition of the proceeding to the fullest extent not prohibited by law. This Article shall not be deemed exclusive of any other provisions for indemnification or advancement of expenses of directors, officers, employees, agents and fiduciaries that may be included in any statute, bylaw, agreement, general or specific action of the board of directors, vote of shareholders or otherwise.

## ARTICLE X

No director of the Company shall be personally liable to the Company or its shareholders for monetary damages for conduct as a director; provided that this Article X shall not eliminate the liability of a director for any act or omission for which such elimination of liability is not permitted under the Oregon Business Corporation Act. No amendment to the Oregon Business Corporation Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a director for any act or omission which occurs prior to the effective date of such amendment.

**EXHIBIT C**

[Date]

PacifiCorp
1600 Pacific First Federal Center
851 SW Sixth Avenue
Portland, Oregon 97204

Utah Power & Light Company
1407 West North Temple Street
PO Box 899
Salt Lake City, Utah 84110

PC/UP&L Merging Corp.
1600 Pacific First Federal Center
851 SW Sixth Avenue
Portland, Oregon 97204

We have acted as counsel to PacifiCorp, a Maine corporation, ("PacifiCorp") in connection with negotiation, preparation and execution of the Agreement and Plan of Reorganization and Merger entered into on August 12, 1987 (the "Agreement") among PacifiCorp, Utah Power & Light Company, a Utah corporation ("UP&L") and PC/UP&L Merging Corp., an Oregon corporation ("Merging Corp."). This opinion is delivered to you pursuant to Section 4.1.6 of the Agreement. Unless otherwise defined herein, capitalized terms shall have the meanings defined in the Agreement.

In connection with this opinion, we have reviewed the Agreement and such other documents and public records as we have deemed necessary or appropriate for purposes of this opinion. In addition, we expressly rely upon the representations and facts set forth in the letter to us dated from PacifiCorp, UP&L and Merging Corp. (the "Letter"). If any of the representations and facts set forth in the Letter are not true and accurate, both on the date of this letter and at the Effective Time of the Merger, then we express no opinion. Our opinion assumes that the Merger will occur fully in accordance with the provisions of the Agreement. If they do not, then we express no opinion.

Based on the foregoing, it is our opinion that for federal income tax purposes:

1. The mergers of PacifiCorp and UP&L into Merging Corp. will constitute reorganizations within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), and PacifiCorp, UP&L and Merging Corp. will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code.

2. No gain or loss will be recognized by UP&L on transfer of its assets to Merging Corp. in the Merger.

3. No gain or loss will be recognized by PacifiCorp on transfer of its assets to Merging Corp. in the Merger.

4. The bases and holding periods of PacifiCorp and UP&L assets in the hands of Merging Corp. will include their bases and holding periods in the hands of PacifiCorp and UP&L immediately before the Merger.

5. Merging Corp. will succeed to and take into account the earnings and profits and other items of PacifiCorp and UP&L described in Section 381(c) of the Code, subject to the conditions and limitations in Sections 381, 382 and 383 of the Code and the regulations thereunder.

6. No gain or loss will be recognized by Merging Corp. on receipt of the assets of PacifiCorp and UP&L in the Merger.

7. No income, gain or loss will be recognized by the holders of UP&L Common Stock on their receipt of Merging Corp. Common Stock solely in exchange for their UP&L Common Stock.

8. No income, gain or loss will be recognized by the holders of PacifiCorp Common Stock on their receipt of Merging Corp. Common Stock solely in exchange for their PacifiCorp Common Stock.

9. The aggregate basis of the Merging Corp. Common Stock received by a holder of PacifiCorp Common Stock or UP&L Common Stock who receives solely Merging Corp. Common Stock will include the aggregate basis of the PacifiCorp Common Stock or UP&L Common Stock surrendered in exchange therefor. If a holder of PacifiCorp Common Stock or UP&L Common Stock makes an adequate identification of the basis and date of acquisition of each lot or share of Common Stock surrendered in the Merger and of the Merging Corp. Common Stock received for that lot or share, the holder's basis in the Merging Corp. Common Stock received shall be determined by reference to the specific lots or shares surrendered.

10. The holding period of the Merging Corp. Common Stock received by a holder of PacifiCorp Common Stock or UP&L Common Stock will include the period during which the PacifiCorp Common Stock or UP&L Common Stock surrendered in exchange therefor was held, if the PacifiCorp Common Stock or UP&L Common Stock was held as a capital asset on the date of the exchange. If a holder of PacifiCorp Common Stock or UP&L Common Stock makes an adequate identification of the basis and date of acquisition of each lot or share of Common Stock surrendered in the Merger and of the Merging Corp. Common Stock received for that lot or share, the holding period of the Merging Corp. Common Stock received shall be determined by reference to the specific lots or shares surrendered.

11. No income, gain or loss will be recognized by the holders of UP&L Preferred Stock on their receipt of Merging Corp. Preferred Stock solely in exchange for their UP&L Preferred Stock.

12. No income, gain or loss will be recognized by the holders of PacifiCorp Preferred Stock on their receipt of Merging Corp. Preferred Stock solely in exchange for their PacifiCorp Preferred Stock.

13. Provided that the PacifiCorp Preferred Stock and the UP&L Preferred Stock is not "section 306 stock," the Merging Corp. Preferred Stock received by holders of PacifiCorp Preferred Stock or UP&L Preferred Stock will not constitute "section 306 stock" within the meaning of Section 306(c) of the Code.

14. The aggregate basis of the Merging Corp. Preferred Stock received by a holder of PacifiCorp Preferred Stock or UP&L Preferred Stock who receives solely Merging Corp. Preferred Stock will be the same as the aggregate basis of the PacifiCorp Preferred Stock or UP&L Preferred Stock surrendered in exchange therefor. If a holder of PacifiCorp Preferred Stock or UP&L Preferred Stock makes an adequate identification of the basis and date of acquisition of each lot or share of Preferred Stock surrendered in the Merger and of the Merging Corp. Preferred Stock received for that lot or share, the holder's basis in the Merging Corp. Preferred Stock received shall be determined by reference to the specific lots or shares surrendered.

15. The holding period of the Merging Corp. Preferred Stock received by a holder of PacifiCorp Preferred Stock or UP&L Preferred Stock will include the period during which the PacifiCorp Preferred Stock or UP&L Preferred Stock surrendered in exchange therefor was held, if the PacifiCorp Preferred Stock or UP&L Preferred Stock was held as a capital asset on the date of the exchange. If a holder of PacifiCorp Preferred Stock or UP&L Preferred Stock makes an adequate identification of the basis and date of acquisition of each lot or share of Preferred Stock surrendered in the Merger and of the Merging Corp. Preferred Stock received for that lot or share, the holding period of the Merging Corp. Preferred Stock received shall be determined by reference to the specific lots or shares surrendered.

16. The payment of cash to a holder of UP&L Common Stock in lieu of fractional share interests of Merging Corp. Common Stock will be treated as if the fractional shares were distributed as part of the exchange and were then redeemed by Merging Corp. The cash payments will be treated as having been received as distributions in full payment in exchange for the Stock redeemed as provided in Section 302(a) of the Code.

17. Where solely cash is received by a dissenting holder of UP&L Preferred Stock in exchange for the dissenting holder's UP&L Preferred Stock, the cash payment will be treated as having been received as a distribution in redemption of the UP&L Preferred Stock subject to the provisions and

limitations of Section 302 of the Code. If, after the Merger, the dissenting holder of UP&L Preferred Stock neither owns Merging Corp. Stock directly nor is considered to own Merging Corp. Stock pursuant to the constructive ownership rules of Section 318(a) of the Code, the redemption will be treated as a distribution in full payment in exchange for the UP&L Preferred Stock as provided in Section 302(a) of the Code.

18. The alternative minimum taxable income of PacifiCorp and UP&L for their taxable years including the Effective Time of the Merger will not be increased by an adjustment for book income pursuant to Section 56(f)(1) of the Code resulting from income set forth on the applicable financial statements of PacifiCorp or UP&L that is attributable solely to the transfer of assets by PacifiCorp or UP&L to Merging Corp. This opinion is rendered in reliance upon, and is expressly conditioned upon receipt of, a professional opinion rendered by Deloitte Haskins and Sells as certified public accountants and auditors for PacifiCorp, UP&L and Merging Corp. that the Merger will constitute a pooling of interests and will not create income or loss for PacifiCorp, UP&L or Merging Corp. for financial accounting purposes, including for purposes of financial statements filed with the Securities and Exchange Commission.

Our opinion is limited to the matters expressly addressed in the eighteen numbered paragraphs above. No opinion is expressed and none should be inferred as to any other matter. Our opinion is based upon current law, the Code, including regulations thereunder, and the judicial and administrative interpretations of the Code and regulations as they exist on the date of this letter. There can be no assurance that the legal authorities upon which our opinion is based will not be modified, revoked, supplemented, amended, revised, reversed or overruled. To the extent of changes in such legal authorities, our opinion is not applicable.

This opinion is intended solely for your use and the use of your shareholders in connection with the Agreement and is not to be made available to or relied upon by other persons or entities without our prior written consent.

Very truly yours,

STOEL RIVES BOLEY JONES & GREY

**EXHIBIT D**

[Date]

Utah Power & Light Company
1407 West North Temple Street
Salt Lake City, Utah 84140

We have acted as counsel for PacifiCorp, a Maine corporation ("PacifiCorp"), and PC/UP&L Merging Corp., an Oregon corporation ("Merging Corp."), in connection with the negotiation, preparation and execution of an Agreement and Plan of Reorganization and Merger dated August 12, 1987 between Utah Power & Light Company, a Utah corporation ("UP&L"), PacifiCorp and Merging Corp. (the "Agreement").

This opinion is delivered to you pursuant to Section 4.2.2 of the Agreement. Unless otherwise defined herein, capitalized terms shall have the meanings defined in the Agreement.

In connection with this opinion, we have reviewed the Agreement and such other documents, certificates of public officials and corporate records of PacifiCorp as we have deemed necessary or appropriate for purposes of this opinion. In rendering this opinion, we have assumed the genuineness of all signatures, the authenticity of all documents provided to us as originals, and the conformity to authentic original documents of all documents provided to us as certified, conformed or photostatic copies. As to questions of fact material to the following opinions, when relevant facts were not independently established, we have relied upon representations of PacifiCorp and Merging Corp. within the Agreement, certificates of officers of PacifiCorp and Merging Corp. and certificates of public officials.

Based on the foregoing and subject to the qualifications below, it is our opinion that:

1. Each of PacifiCorp, its Significant Subsidiaries and Merging Corp. is a corporation duly organized and validly existing under the laws of its respective jurisdiction of incorporation and is duly qualified as a foreign corporation in each jurisdiction where the properties owned, leased, or operated, or the business conducted, by it require such qualification, except where the failure to so qualify would not have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole. Each of PacifiCorp, its Significant Subsidiaries and Merging Corp. has all requisite corporate power and authority to own, operate and lease its property and to carry on its businesses as they are now being conducted.

2. PacifiCorp and Merging Corp. each has the corporate power and authority to execute and deliver the Agreement and to consummate the transactions contemplated thereby. The Agreement has been duly and validly authorized by the Boards of Directors of PacifiCorp and Merging Corp. and duly approved by the required votes of the shareholders of PacifiCorp and Merging Corp. and constitutes the valid and binding obligation of PacifiCorp and Merging Corp. in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought.

3. PacifiCorp has an authorized capital stock consisting of 200,000,000 shares of Common Stock, $3.25 par value, of which shares are outstanding; 3,500,000 shares of Serial Preferred Stock, $100 par value, of which shares are outstanding; 126,533 shares of 5% Preferred Stock, of which shares are outstanding; and 16,000,000 shares of No Par Serial Preferred Stock, of which shares are outstanding. All of the outstanding shares of capital stock of PacifiCorp have been duly authorized and are validly issued, fully paid and nonassessable, and no shares were issued in violation of preemptive rights of any shareholder. Except under the terms of the various PacifiCorp employee or director benefit plans and the PacifiCorp Dividend Reinvestment and Stock Purchase Plan, there are no subscriptions, options, warrants, rights, convertible securities, or other agreements or commitments of any character obligating PacifiCorp to issue any shares of capital stock.

4. Merging Corp. has authorized capital stock consisting of 100 shares of common stock, of which 100 shares are outstanding. All of the outstanding shares of Merging Corp. are owned by PacifiCorp.

5. Except as set forth in a PacifiCorp SEC Report, we are not aware of any litigation, proceeding or governmental investigation that is pending or threatened against or relating to PacifiCorp or Merging Corp., their respective officers or directors in their capacities as such or any of PacifiCorp's subsidiaries, or their respective properties or businesses, which, if adversely determined, would, either individually or in the aggregate, have a material adverse effect on PacifiCorp and its subsidiaries taken as a whole, or on the transactions contemplated by the Agreement.

6. Neither PacifiCorp nor any of its Significant Subsidiaries nor Merging Corp. is a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

7. PacifiCorp operates and is regulated as a public utility only in the States of Oregon, Washington, California, Idaho, Montana and Wyoming, and PacifiCorp is not subject to regulation as a public utility or public service company by any other State in the United States.

8. The Registration Statement insofar as it concerns PacifiCorp and Merging Corp. (except as to financial statements, financial data and supporting schedules contained therein, as to which we express no opinion) complies as to form in all material respects with the requirements of the Securities Act of 1933 (the "1933 Act") and the Securities Exchange Act of 1934 (the "1934 Act") and the applicable regulations thereunder; each document filed by PacifiCorp with the Securities and Exchange Commission and incorporated by reference in the Registration Statement as originally filed pursuant to the 1934 Act (except as aforesaid) complied as to form when so filed in all material respects with the requirements of the 1934 Act and the applicable regulations thereunder; and nothing has come to our attention as a result of our involvement in the preparation of the Registration Statement (which involvement has included discussions with officers of PacifiCorp but not independent third-party verification by us) that has caused us to believe that, either as of the date of the Registration Statement or as of the Closing Date, the Registration Statement (except as aforesaid) contained any untrue statement of material fact concerning PacifiCorp or omitted or misstated a material fact concerning PacifiCorp necessary in order to make any of the statements therein, in light of the circumstances in which they were made, not misleading.

9. The Merging Corp. Common Stock and Merging Corp. Preferred Stock to be issued to the shareholders of UP&L upon the consummation of the Merger in accordance with the Agreement will, when so issued, be duly authorized, validly issued and outstanding, fully paid and nonassessable, and the Merging Corp. Common Stock will be duly listed on the New York Stock Exchange and the Pacific Stock Exchange subject to official notice of issuance.

10. To the best of our knowledge after due inquiry, there is no person or party that is an "affiliate" (as defined for purposes of Rule 145 promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended) of PacifiCorp, other than those persons or parties who delivered an agreement to Merging Corp. pursuant to Section 3.3.6 of the Agreement.

11. Each of PacifiCorp and Merging Corp. has made all filings and received all approvals of any governmental or regulatory agency of competent jurisdiction necessary in order for it to consummate the Merger, and each of such approvals is in full force and effect.

12. All filings required to be made by PacifiCorp and Merging Corp. under the Antitrust Improvements Act have been made, and the waiting period thereunder has expired or been terminated.

13. To the best of our knowledge after due inquiry, all consents and approvals required under any indenture, mortgage, deed of trust, loan agreement, debt instrument, direct or indirect guarantee, or agreement, to which PacifiCorp and its Significant Subsidiaries are parties or by which any of them are bound or to which any of their properties are subject for PacifiCorp and Merging Corp. to consummate the Merger have been obtained, other than those which, if not obtained, would not, in the aggregate, have a material adverse effect on UP&L and its subsidiaries and PacifiCorp and its subsidiaries taken as a whole.

14. Upon the filing of Articles of Merger with the Secretary of State of the State of Maine and the Corporation Division of the State of Oregon, and assuming the Merger is effective under the laws of the State of Utah, the Merger will be effective under the laws of the States of Maine and Oregon.

The opinions herein expressed are limited to the matters governed by the laws of the United States of America and the State of Oregon, and, (i) as to the opinions expressed in paragraphs 7 and 11, the public utility laws of all States, and, (ii) as to the opinions expressed in paragraph 1, the Business Corporation Act of the State of Maine, the General Corporation Law of the State of Delaware, the Business Corporation Act of the State of Washington and the Business Corporation Law of the State of Alaska, and (iii) as to the opinions expressed in paragraphs 2, 3 and 14, the Business Corporation Act of the State of Maine, in each case as they exist at the date hereof, relying as we deem appropriate on opinions of counsel qualified to practice in such States, and we express no opinion as to the law of any other jurisdiction. With respect to matters governed by the laws of the State of Maine, we have relied as to paragraphs 2 and 14 upon the opinion of Verrill & Dana, Special Maine Counsel to PacifiCorp.

This opinion is intended solely for your use in connection with the Agreement and is not to be made available to or relied upon by other persons or entities without our prior consent.

Very truly yours,

Stoel Rives Boley Jones & Grey

**EXHIBIT E**

## SUBSTANCE OF COMFORT LETTERS FROM PACIFICORP AND UP&L ACCOUNTANTS

1. They are independent public accountants with respect to [PacifiCorp or UP&L] (the "Company") within the meaning of the 1933 Act and the applicable published rules and regulations thereunder.

2. In their opinion, the financial statements, including financial statement schedules, of the Company examined by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act and the applicable published rules and regulations thereunder with respect to registration statements on Form S-4 and proxy statements.

3. On the basis of procedures referred to in such letter, including a reading of the latest available interim financial statements of the Company and inquiries of officials of the Company responsible for financial and accounting matters, nothing came to their attention which caused them to believe that:

(a) The unaudited financial statements of the Company included or incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act or the 1934 Act and the applicable published rules and regulations thereunder, or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements of the Company included or incorporated by reference in the Registration Statement [subject to the matters set forth therein];

(b) At the date of the latest available internal balance sheet of the Company, there was any change in the capital stock or long-term debt of the Company or any decrease in retained earnings as compared with amounts shown on the latest balance sheet of the Company included or incorporated in the Registration Statement, except in all cases for changes or decreases which the Registration Statement discloses have occurred or may occur or as may be set forth in such letter;

(c) For the twelve month period ended at the date of the latest available internal monthly statement of earnings of the Company, and for the period from the date of the latest unaudited statement of earnings included or incorporated in the Registration Statement to the date of the latest available internal statement of earnings of the Company, there was any decrease, as compared with the corresponding periods of the previous year, in the Company's net income, except for decreases which the Registration Statement discloses have occurred or may occur or as may be set forth in such letter; or

(d) For a period from the date of the latest balance sheet of the Company included or incorporated in the Registration Statement to a subsequent specified date not more than five days prior to the date of such letter, there was any change in the capital stock or long term debt of the Company or any decrease in retained earnings, except in all cases for changes or decreases which the Registration Statement discloses have occurred or may occur or as may be set forth in such letter.

4. In addition to their examination referred to in their report included or incorporated in the Registration Statement and the procedures referred to in Paragraph 3 above, they have carried out certain other specified procedures, not constituting an audit, with respect to the dollar amounts, percentages and other financial information of the Company (in each case to the extent that such dollar amounts, percentages and other financial information are derived directly or by analysis or computation from the general accounting records of the Company) that are included in the Registration Statement under specified captions and have found such dollar amounts, percentages and financial information to be in agreement with the general accounting records of the Company.

**EXHIBIT F**

[Date]

PacifiCorp
1600 Pacific First Federal Center
851 SW Sixth Avenue
Portland, Oregon 97204

We have acted as counsel to Utah Power & Light Company, a Utah corporation ("UP&L"), in connection with the negotiation, preparation and execution of the Agreement and Plan of Reorganization and Merger dated August 12, 1987 between UP&L, PacifiCorp, a Maine corporation ("PacifiCorp"), and PC/UP&L Merging Corp., an Oregon corporation ("Merging Corp.") (the "Agreement").

This opinion is delivered to you pursuant to Section 4.3.2 of the Agreement. Unless otherwise defined herein, capitalized terms shall have the meanings defined in the Agreement.

In connection with this opinion, we have reviewed the Agreement and such other documents, certificates of public officials and corporate records of UP&L as we have deemed necessary or appropriate for purposes of this opinion. In rendering this opinion, we have assumed the genuineness of all signatures, the authenticity of all documents provided to us as originals, and the conformity to authentic original documents of all documents provided to us as certified, conformed or photostatic copies. As to questions of fact material to the following opinions, when relevant facts were not independently established, we have relied upon representations of UP&L within the Agreement, certificates of officers of UP&L and certificates of public officials.

Based on the foregoing and subject to the qualifications below, it is our opinion that:

1. Each of UP&L and its subsidiaries is a corporation duly organized and validly existing under the laws of its respective jurisdiction of incorporation and is duly qualified as a foreign corporation in each jurisdiction where the properties owned, leased, or operated, or the business conducted, by it require such qualification, except where the failure to so qualify would not have a material adverse effect on UP&L and its subsidiaries taken as a whole. Each of UP&L and its subsidiaries has all requisite corporate power and authority to own, operate and lease its property and to carry on its businesses as they are now being conducted.

2. UP&L has the corporate power and authority to execute and deliver the Agreement and to consummate the transactions contemplated thereby. The Agreement has been duly and validly authorized by the Board of Directors of UP&L and duly approved by the required vote of the shareholders of UP&L, and constitutes the valid and binding obligation of UP&L in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought.

3. UP&L has an authorized capital stock consisting of 75,000,000 shares of Common Stock, $6.40 par value, of which shares are outstanding, and 15,000,000 shares of Cumulative Preferred Stock, $25 par value, of which shares are outstanding. All of the outstanding shares of capital stock of UP&L have been duly authorized and are validly issued, fully paid and nonassessable, and no shares were issued in violation of preemptive rights of any shareholder. There are no subscriptions, options, warrants, rights, convertible securities, or other agreements or commitments of any character obligating UP&L or any of its subsidiaries to issue any shares of capital stock.

4. Except as set forth in a UP&L SEC Report, we are not aware of any litigation, proceeding or governmental investigation that is pending or threatened against or relating to UP&L, its officers or directors in their capacities as such, or any of its subsidiaries, or their respective properties or businesses, which if adversely determined, would, either individually or in the aggregate, have a

material adverse effect on UP&L and its subsidiaries taken as a whole, or on the transactions contemplated by the Agreement.

5. Neither UP&L nor any of its subsidiaries is a "Holding Company," an "Affiliate," or a "Subsidiary Company" under the terms of the Public Utility Holding Company Act of 1935, as amended.

6. UP&L operates and is regulated as a public utility only in the States of Utah, Idaho and Wyoming, and neither UP&L nor any of its subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by any other State in the United States.

7. The Registration Statement insofar as it concerns UP&L (except as to financial statements, financial data and supporting schedules contained therein, as to which we express no opinion) complies as to form in all material respects with the requirements of the Securities Act of 1933 (the "1933 Act") and the Securities Exchange Act of 1934 (the "1934 Act") and the applicable regulations thereunder; each document filed by UP&L with the Securities and Exchange Commission and incorporated by reference in the Registration Statement as originally filed pursuant to the 1934 Act (except as aforesaid) complied as to form when so filed in all material respects with the requirements of the 1934 Act and the applicable regulations thereunder; and nothing has come to our attention as a result of our involvement in the preparation of the Registration Statement (which involvement has included discussions with officers of UP&L but not independent third-party verification by us) that has caused us to believe that, either as of the date of the Registration Statement or as of the Closing Date, the Registration Statement (except as aforesaid) contained any untrue statement of material fact concerning UP&L or omitted or misstated a material fact concerning UP&L necessary in order to make any of the statements therein, in light of the circumstances in which they were made, not misleading.

8. To the best of our knowledge after due inquiry, there is no person or party that is an "affiliate" (as defined for purposes of Rule 145 promulgated by the Securities and Exchange Commission pursuant to the 1933 Act) of UP&L, other than those persons or parties who delivered an agreement to Merging Corp. pursuant to Section 3.2.5 of the Agreement.

9. UP&L has made all filings and received all approvals of any governmental or regulatory agency of competent jurisdiction necessary in order for it to consummate the Merger, and each of such approvals is in full force and effect.

10. All filings required to be made by UP&L under the Antitrust Improvements Act have been made, and the waiting period thereunder has expired or been terminated.

11. To the best of our knowledge after due inquiry, all consents and approvals required under any indenture, mortgage, deed of trust, loan agreement, debt instrument, direct or indirect guarantee, or agreement, to which UP&L and its subsidiaries are parties or by which any of them are bound or to which any of their properties are subject to consummate the Merger have been obtained, other than those which, if not obtained, would not, in the aggregate, have a material adverse effect on UP&L and its subsidiaries and PacifiCorp and its subsidiaries taken as a whole.

12. Upon the issuance of a certificate of merger by the Division of Corporations and Commercial Code of the State of Utah, and assuming the Merger is effective under the laws of the States of Maine and Oregon, the merger of UP&L into Merging Corp. will be effective under the laws of the State of Utah.

The opinions herein expressed are limited to the matters governed by the laws of the United States of America and (i) as to the opinion expressed in paragraphs 6 and 9, the public utility laws of all States, (ii) as to the opinions expressed in paragraphs 1, 2, 3 and 12, the Business Corporation Act of the State of Utah, in each case as they exist at the date hereof, relying as we deem appropriate on opinions of counsel qualified to practice in such States, and we express no opinion as to the law of any other jurisdiction. With respect to matters governed by the laws of the State of Utah, we have relied as to paragraphs 2 and 12 upon the opinion of , Special Utah Counsel to UP&L. With respect to the opinions set forth

in paragraphs 1 (as to references to subsidiaries), 4, and 11 (except with respect to the Mortgage and Deed of Trust of the Company), we have relied, without independent verification, upon the opinion of Sidney G. Baucom, General Counsel of the Company.

This opinion is intended solely for your use in connection with the Agreement and is not to be made available to or relied upon by other persons or entities without our prior written consent.

Very truly yours,

REID & PRIEST

The First Boston Corporation
Park Avenue Plaza
New York, New York 10055
Telephone: 212/909-2000

# First Boston

October 29, 1987

Board of Directors
PacifiCorp
851 Southwest Sixth Avenue
Portland, Oregon 97204

Dear Members of the Board of Directors:

You have asked us to advise you with respect to the fairness to the shareholders of PacifiCorp (the "Company"), from a financial point of view, of the Conversion Ratios (as described below). The Company, Utah Power & Light Company ("Utah") and PC/UP&L Merging Corp., a newly formed Oregon corporation to be renamed PacifiCorp ("Merging Corp."), have entered into an Agreement and Plan of Reorganization and Merger, dated August 12, 1987 (the "Merger Agreement"), pursuant to which the Company and Utah will each be merged (the "Merger") into Merging Corp. The Conversion Ratios are set forth in the Merger Agreement, which provides that (i) each outstanding share of common stock, par value $3.25 per share, of the Company will be converted into one share of common stock, par value $3.25 per share, of Merging Corp. ("PacifiCorp Common Stock") and (ii) each outstanding share of common stock, par value $6.40 per share, of Utah ("Utah Common Stock") will be converted into an amount of PacifiCorp Common Stock as determined pursuant to the Merger Agreement (collectively, the "Conversion Ratios").

The Conversion Ratio for Utah Common Stock will be determined as follows: (i) if the average closing price of common stock of the Company for the ten trading days following the date after which all conditions to the Merger Agreement have been fulfilled or waived (the "PacifiCorp Closing Price") is more than $41.804, each share of Utah Common Stock will be converted into that number of shares of PacifiCorp Common Stock as determined by dividing $38.00 by the PacifiCorp Closing Price; (ii) if the PacifiCorp Closing Price is more than $35.475 but equal to or less than $41.804, each share of Utah Common Stock will be converted into 0.909 shares of PacifiCorp Common Stock; (iii) if the PacifiCorp Closing Price is equal to or less than $35.475 but more than $33.70, each share of Utah Common Stock will be converted into that number of shares of PacifiCorp Common Stock as determined by dividing $32.25 by the PacifiCorp Closing Price; and (iv) if the PacifiCorp Closing Price is equal to or less than $33.70, each share of Utah Common Stock will be converted into 0.957 shares of PacifiCorp Common Stock, provided that if the PacifiCorp Closing Price is equal to or less than $33.70, Utah may elect to terminate the Merger Agreement unless PacifiCorp and Merging Corp. agree that each share of Utah Common Stock will be converted into that number of shares of PacifiCorp Common Stock as shall be determined by dividing $32.25 by the PacifiCorp Closing Price. As set forth in the preceding sentence, pursuant to the Merger Agreement, if the PacifiCorp Closing Price is equal to or less than $33.70, Utah may elect to terminate the Merger Agreement unless PacifiCorp and Merging Corp. agree that each share of Utah Common Stock will be converted into an amount of PacifiCorp Common Stock which would be in excess of 0.957 shares of PacifiCorp Common Stock for each share of Utah Common Stock. In this opinion, we are not opining as to, and have not considered, the fairness, from a financial point of view, of the Conversion Ratio pursuant to which each share of Utah Common Stock would be converted into an amount of PacifiCorp Common Stock in excess of 0.957 shares of PacifiCorp Common Stock.

In arriving at our opinion, we have reviewed certain publicly available business and financial information relating to the Company and Utah, including the Joint Proxy Statement/Prospectus, dated October 29, 1987 (the "Joint Proxy Statement"), issued by the Company and Utah in connection with the special meetings of shareholders of the Company and Utah scheduled for December 15, 1987. We have

also reviewed certain other information, including financial forecasts provided to us by the Company and Utah and have met with the Company's and Utah's management to discuss the businesses and prospects of the Company and Utah.

We have also considered certain financial and stock market data of the Company and Utah, and we have compared that data with similar data for other publicly held companies in businesses which we deemed to be reasonably similar to those of the Company and Utah. We have also considered, to the extent publicly available, the financial terms of certain other recent business combinations involving companies engaged in businesses which we deemed to be reasonably similar to those of the Company and Utah and such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant. The opinion expressed herein is being rendered during a period of uncertainty in the financial markets and is necessarily subject to the absence of further adverse developments in the financial, economic and market conditions prevailing at the date hereof.

In arriving at our opinion, we have taken into account certain strategic benefits arising from the Merger as expressed to us by senior management of the Company. Such benefits include, but are not limited to, the prospects for rationalization of the management, operations and generating capacity among the two companies and economies of future capacity additions.

In connection with our review, we have not independently verified any of the foregoing information, including the information contained in the Joint Proxy Statement, and have relied on its being complete and accurate in all material respects. With respect to the financial forecasts, including future benefits arising from the Merger, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Company's and Utah's managements as to the future financial performance of the Company and Utah. In addition, we have not made an independent evaluation or appraisal of the assets of the Company or Utah, nor have we been furnished with such appraisals. We have from time to time acted as financial adviser to the Company during the past two years.

It should be noted that this opinion is based on market conditions prevailing, and other circumstances and conditions existing at the present time, and this opinion does not represent our opinion as to what the value of the PacifiCorp Common Stock actually will be when the PacifiCorp Common Stock is issued to the shareholders of Utah following consummation of the Merger. Because of the large aggregate amount of PacifiCorp Common Stock being issued to shareholders of Utah and other factors, such securities may trade initially at prices below those at which they would trade on a fully distributed basis. In addition, we have assumed for purposes of this opinion and this type of transaction that the value of the common stock of the Company is equivalent to its market price.

We have acted as financial adviser to the Company in connection with the Merger and will receive a fee from the Company for our services. We will also receive an additional fee if the Merger is consummated.

In the ordinary course of our business, we may actively trade the debt and equity securities of both the Company and Utah for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Based upon and subject to the foregoing and subject to the various assumptions and limitations set forth herein it is our opinion that as of the date hereof, the Conversion Ratios are fair to the shareholders of the Company, from a financial point of view.

Very truly yours,

THE FIRST BOSTON CORPORATION

Kidder, Peabody & Co.
Incorporated
Founded 1865

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CHICAGO · SAN FRANCISCO · LOS ANGELES
ATLANTA · DALLAS · KANSAS CITY, MO.

10 HANOVER SQUARE
NEW YORK, N. Y. 10005



October 29, 1987

Board of Directors
Utah Power & Light Company
1407 West North Temple Street
Salt Lake City, Utah 84140

Gentlemen and Madam:

You have requested our opinion as to the fairness from a financial point of view to the holders of the Common Stock and the respective series of Cumulative Preferred Stock of Utah Power & Light Company (the "Company") of the conversion ratios relating to such Common Stock and Preferred Stock, respectively, in the proposed merger (the "Transaction") of the Company and PacifiCorp ("PacifiCorp") into PC/UP&L Merging Corp. ("Merging Corp."). The Merger Agreement between the Company, PacifiCorp and Merging Corp. relating to the Transaction (the "Merger Agreement") provides, among other things, that (i) the holders of the Company's Common Stock will receive in the Transaction consideration consisting of Merging Corp. Common Stock having a value (based upon the market price of PacifiCorp's Common Stock prior to consummation of the Transaction) of not less than $32.25 (except as set forth below) nor more than $38.00 for each share of Company Common Stock, (ii) the holders of PacifiCorp's Common Stock will receive in the Transaction one share of Merging Corp. Common Stock for each share of PacifiCorp Common Stock, and (iii) the holders of the respective series of the Company's Preferred Stock will receive in the Transaction for each share of such Preferred Stock (other than shares with respect to which the holders thereof have properly perfected dissenters' rights) one share of a series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate and substantially similar rights and preferences as the share of Company Preferred Stock converted in the Transaction, all as more fully described in the Merger Agreement and the Joint Proxy Statement/Prospectus relating to the Transaction referred to below. The conversion ratios set forth in clauses (i) and (ii) of the preceding sentence are hereinafter referred to as the "Common Stock Conversion Ratios," and the conversion ratios set forth in clause (iii) of such sentence are hereinafter referred to as the "Preferred Stock Conversion Ratios". The Merger Agreement provides that holders of the Company's Common Stock may receive Merging Corp. Common Stock having a value (as set forth above) of less than $32.25 per Company Common share if the Company's Board of Directors does not terminate the Merger Agreement in the event the PacifiCorp Closing Price (as defined therein) is not greater than $33.70. We have not been requested to consider, and we express no opinion as to, the fairness from a financial point of view to the holders of the Company's Common Stock of the Common Stock Conversion Ratios if consummation of the Transaction results in the receipt by the Company's Common shareholders of consideration having a value (as so determined) of less than $32.25 per Company Common share.

Kidder, Peabody & Co. Incorporated, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Over the past ten years, Kidder, Peabody & Co. Incorporated has either managed or co-managed several common stock, preferred stock, first mortgage bond and tax-exempt securities offerings for the Company, and has also acted for the Company in a financial advisory capacity. Kidder, Peabody & Co. Incorporated has also either managed or co-managed common stock, preferred stock and first mortgage bond offerings for PacifiCorp.

In connection with our opinion, we have reviewed the Joint Proxy Statement/Prospectus to be furnished to the shareholders of the Company in connection with the Transaction, in definitive form as

Within twenty days after demanding payment for his shares, each shareholder demanding payment shall submit the certificate or certificates representing his shares to the corporation for notation thereon that such demand has been made. His failure to do so shall, at the option of the corporation, terminate his rights under this section unless a court of competent jurisdiction, for good and sufficient cause shown, shall otherwise direct. If shares represented by a certificate on which notation has been so made shall be transferred, each new certificate issued therefor shall bear similar notation, together with the name of the original dissenting holder of such shares, and a transferee of such shares shall acquire by such transfer no rights in the corporation other than those which the original dissenting shareholder had after making demand for payment of the fair value thereof.

Shares acquired by a corporation pursuant to payment of the agreed value therefor or to payment of the judgment entered therefor, as in this section provided, may be held and disposed of by such corporation as in the case of other treasury shares, except that, in the case of a merger or consolidation, they may be held disposed of as the plan of merger or consolidation may otherwise provide.

APPENDIX C

Kidder, Peabody & Co.
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ATLANTA · DALLAS · KANSAS CITY, MO.

10 HANOVER SQUARE
NEW YORK, N. Y. 10005

October 29, 1987

Board of Directors
Utah Power & Light Company
1407 West North Temple Street
Salt Lake City, Utah 84140

Gentlemen and Madam:

You have requested our opinion as to the fairness from a financial point of view to the holders of the Common Stock and the respective series of Cumulative Preferred Stock of Utah Power & Light Company (the "Company") of the conversion ratios relating to such Common Stock and Preferred Stock, respectively, in the proposed merger (the "Transaction") of the Company and PacifiCorp ("PacifiCorp") into PC/UP&L Merging Corp. ("Merging Corp."). The Merger Agreement between the Company, PacifiCorp and Merging Corp. relating to the Transaction (the "Merger Agreement") provides, among other things, that (i) the holders of the Company's Common Stock will receive in the Transaction consideration consisting of Merging Corp. Common Stock having a value (based upon the market price of PacifiCorp's Common Stock prior to consummation of the Transaction) of not less than $32.25 (except as set forth below) nor more than $38.00 for each share of Company Common Stock, (ii) the holders of each share of PacifiCorp Common Stock will receive in the Transaction one share of Merging Corp. Common Stock, and (iii) the holders of the respective series of the Company's Preferred Stock will receive in the Transaction for each share of such Preferred Stock (other than shares with respect to which the holders thereof have properly perfected dissenters' rights) one share of a series of Merging Corp. No Par Serial Preferred Stock bearing the same dividend rate and substantially similar rights and preferences as the share of Company Preferred Stock converted in the Transaction, all as more fully described in the Merger Agreement and the Joint Proxy Statement/Prospectus relating to the Transaction referred to below. The conversion ratios set forth in clauses (i) and (ii) of the preceding sentence are hereinafter referred to as the "Common Stock Conversion Ratios," and the conversion ratios set forth in clause (iii) of such sentence are hereinafter referred to as the "Preferred Stock Conversion Ratios". The Merger Agreement provides that holders of the Company's Common Stock may receive Merging Corp. Common Stock having a value (as set forth above) of less than $32.25 per Company Common share if the Company's Board of Directors does not terminate the Merger Agreement in the event the PacifiCorp Closing Price (as defined therein) is not greater than $33.70. We have not been requested to consider, and we express no opinion as to, the fairness from a financial point of view to the holders of the Company's Common Stock of the Common Stock Conversion Ratios if consummation of the Transaction results in the receipt by the Company's Common shareholders of consideration having a value (as so determined) of less than $32.25 per Company Common share.

Kidder, Peabody & Co. Incorporated, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Over the past ten years, Kidder, Peabody & Co. Incorporated has either managed or co-managed several common stock, preferred stock, first mortgage bond and tax-exempt securities offerings for the Company, and has also acted for the Company in a financial advisory capacity. Kidder, Peabody & Co. Incorporated has also either managed or co-managed common stock, preferred stock and first mortgage bond offerings for PacifiCorp.

In connection with our opinion, we have reviewed the Joint Proxy Statement/Prospectus to be furnished to the shareholders of the Company in connection with the Transaction, in definitive form as

filed with the Securities and Exchange Commission, as well as the Merger Agreement. We also have reviewed financial and other information that was publicly available or furnished to us by the Company or PacifiCorp, including information provided during discussions with their respective managements. We have reviewed certain internal financial and operating data, including financial projections, provided to us by the Company and PacifiCorp. We have had discussions regarding the businesses, prospects, facilities and certain assets of the Company and PacifiCorp with certain members of their respective managements. We have reviewed and analyzed the ongoing commitments of the Company and PacifiCorp for construction and operation of power facilities, as well as the impact a joint dispatch of such power facilities would have on ratepayers and shareholders. In addition, we have compared certain financial and securities data of the Company and PacifiCorp with various other companies whose securities are publicly traded, reviewed the historical stock prices and trading volume of the Common Stock of the Company and PacifiCorp, reviewed prices and premiums paid in other similar transactions, and conducted such other financial studies, analyses and investigations as we deemed appropriate for purposes of this opinion.

In rendering this opinion, we have relied, without independent verification, on the accuracy and completeness of all financial and other information contained in the Joint Proxy Statement/Prospectus or that was otherwise publicly available or furnished to us by the Company or PacifiCorp.

For purposes of this opinion, we have assumed that the value of PacifiCorp's Common Stock is equal to its market value, and that the value of the Merging Corp. Common Stock to be issued in the Transaction, at the time of issuance, will also be equal to the market value of an equivalent amount of PacifiCorp Common Stock prior to the Transaction. Our opinion is based upon market conditions prevailing and other circumstances and conditions existing at the present time, and we express no opinion as to the actual value of the Merging Corp. Common Stock or Merging Corp. No Par Serial Preferred Stock or, with respect to the Merging Corp. No Par Serial Preferred Stock, the ratings thereof, upon its issuance to the shareholders of the Company following consummation of the Transaction. In addition, due to the large amount of Merging Corp. Common Stock being issued to shareholders of the Company and other factors which may, at the time of such issuance, affect the market price of Merging Corp. Common Stock, we express no opinion as to the prices at which Merging Corp. Common Stock may initially trade as opposed to the prices at which it would trade on a fully distributed basis.

Based upon and subject to the foregoing (including the limitations set forth in the last sentence of the first paragraph of this letter), it is our opinion that, as of the date hereof, the Common Stock Conversion Ratios and the Preferred Stock Conversion Ratios are fair to the holders of the Company's Common Stock and the respective series of the Company's Preferred Stock, respectively, from a financial point of view.

Very truly yours,

KIDDER, PEABODY & CO. INCORPORATED

## UTAH DISSENTERS' RIGHTS PROVISIONS

### Utah Business Corporation Act
### Sections 16-10-75 and 16-10-76

16-10-75 *RIGHTS OF DISSENTING SHAREHOLDERS UPON MERGER OR CONSOLIDATION OR SALE OR EXCHANGE OF ASSETS—RIGHT TO DISSENT—EXCEPTION.*—Any shareholder of a corporation shall have the right to dissent from any of the following corporate actions:

(a) Any plan of merger or consolidation to which the corporation is a party; or

(b) Any sale or exchange of all or substantially all of the property and assets of the corporation, otherwise than in the usual and regular course of its business and other than a sale for cash where the shareholder's approval thereof is conditional upon the distribution of all or substantially all of the net proceeds of the sale to the shareholders in accordance with their respective interests within one year after the date of sale.

This section shall not apply to the shareholders of the surviving corporation in a merger if a vote of the shareholders of such corporation is not necessary to authorize such merger; nor shall it apply to the holders of shares of any class or series if the shares of such class or series were registered on the New York Stock Exchange or the American Stock Exchange on the date fixed to determine the shareholders entitled to vote at the meeting of shareholders at which a plan of merger or consolidation or a proposed sale or exchange of property and assets is to be acted upon unless the articles of incorporation of the corporation shall otherwise provide.

16-10-76 *RIGHTS OF DISSENTING SHAREHOLDERS UPON MERGER OR CONSOLIDATION OR SALE OR EXCHANGE OF ASSETS—FILING OBJECTIONS—PAYMENT OF FAIR VALUE FOR SHARES—PROCEDURE.*—Any shareholder electing to exercise such right of dissent shall file with the corporation, prior to or at the meeting of shareholders at which such proposed corporate action is submitted to a vote, a written objection to such proposed corporation action. If such proposed corporation action be approved by the required vote and such shareholders shall not have voted in favor thereof, such shareholder may, within ten days after the date on which the vote was taken or if a corporation is to be merged without a vote of its shareholders into another corporation, any of its shareholders may, within fifteen days after the plan of such merger shall have been mailed to such shareholders, make written demand on the corporation, or, in the case of a merger or consolidation, on the surviving or new corporation, domestic or foreign, for payment of the fair value of such shareholder's shares, and, if such proposed corporate action is effected, such corporation shall pay to such shareholder, upon surrender of the certificate or certificates representing such shares, the fair value thereof as of the day prior to the date on which the vote was taken approving the proposed corporate action, excluding any appreciation or depreciation in anticipation of such corporate action. Any shareholder failing to make demand within the applicable ten-day or fifteen-day period shall be bound by the terms of the proposed corporate action. Any shareholder making such demand shall thereafter be entitled only to payment as in this section provided and shall not be entitled to vote or to exercise any other rights of a shareholder.

No such demand may be withdrawn unless the corporation shall consent thereto. If, however, such demand shall be withdrawn upon consent, or if the proposed corporation action shall be abandoned or rescinded or the shareholders shall revoke the authority to effect such action, or if, in the case of a merger, on the date of the filing of the articles of merger the surviving corporation is the owner of all the outstanding shares of the other corporations, domestic and foreign, that are parties to the merger, or if no demand or petition for the determination of fair value by a court shall have been made or filed within the time provided in this section, or if a court of competent jurisdiction shall determine that such shareholder is not entitled to the relief provided by this section, then the right of such shareholder to be paid the fair value of his shares shall cease and his status as a shareholder shall be restored, without prejudice to any corporate proceedings which may have been taken during the interim.

Within ten days after such corporate action is effected, the corporation, or in the case of a merger or consolidation, the surviving or new corporation, domestic or foreign, shall give written notice thereof to each dissenting shareholder who has made demand as herein provided, and shall make a written offer to each such shareholder to pay for such shares at a specified price deemed by such corporation to be the fair value thereof. Such notice and offer shall be accompanied by a balance sheet of the corporation the shares of which the dissenting shareholder holds, as of the latest available date and not more than twelve months prior to the making of such offer, and a profit and loss statement of such corporation for the twelve months' period ended on the date of such balance sheet.

If within thirty days after the date on which such corporate action was effected the fair value of such shares is agreed upon between any such dissenting shareholder and the corporation, payment therefor shall be made within ninety days after the date on which such corporate action was effected, upon surrender of the certificate or certificates representing such shares. Upon payment of the agreed value the dissenting shareholder shall cease to have any interest in such shares.

If within such period of thirty days a dissenting shareholder and the corporation do not so agree, then the corporation, within thirty days after receipt of written demand from any dissenting shareholder given within sixty days after the date on which such corporate action was effected, shall, or at its election at any time within such period of sixty days may, file a petition in any court of competent jurisdiction in the county in this state where the registered office of the corporation is located praying that the fair value of such shares be found and determined. If, in the case of a merger or consolidation, the surviving or new corporation is a foreign corporation without a registered office in this state, such petition shall be filed in the county where the registered office of the domestic corporation was last located. If the corporation shall fail to institute the proceeding as herein provided, any dissenting shareholder may do so in the name of the corporation. All dissenting shareholders, wherever residing, shall be made parties to the proceeding as an action against their shares quasi in rem. A copy of the petition shall be served on each dissenting shareholder who is a resident of this state and shall be served by registered or certified mail on each dissenting shareholder who is a nonresident. Service on nonresidents shall also be made by publication as provided by law. The jurisdiction of the court shall be plenary and exclusive. All shareholders who are parties to the proceeding shall be entitled to judgment against the corporation for the amount of the fair value of their shares. The court may, if it so elects, appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers shall have such power and authority as shall be specified in order of their appointment or an amendment thereof. The judgment shall be payable only upon and concurrently with the surrender to the corporation of the certificate or certificates representing such shares. Upon payment of the judgment, the dissenting shareholders shall cease to have any interest in such shares.

The judgment shall include an allowance for interest at such rate as the court may find to be fair and equitable in all the circumstances, from the date on which the vote was taken on the proposed corporate action to the date of payment.

The costs and expenses of any such proceeding shall be determined by the court and shall be assessed against the corporation, but all or any part of such costs and expenses may be apportioned and assessed as the court may deem equitable against any or all of the dissenting shareholders who are parties to the proceeding to whom the corporation shall have made an offer to pay for the shares if the court shall find that the action of such shareholders in failing to accept such offer was arbitrary or vexatious or not in good faith. Such expenses shall include reasonable compensation for the reasonable expenses of the appraisers, but shall exclude the fee and expenses of counsel for and experts employed by any party; but if the fair value of the shares as determined materially exceeds the amount which the corporation offered to pay therefor, or if no offer was made, the court in its discretion may award to any shareholder who is a party to the proceeding such sum as the court may determine to be reasonable compensation to any expert or experts employed by the shareholder in the proceeding.

Within twenty days after demanding payment for his shares, each shareholder demanding payment shall submit the certificate or certificates representing his shares to the corporation for notation thereon that such demand has been made. His failure to do so shall, at the option of the corporation, terminate his rights under this section unless a court of competent jurisdiction, for good and sufficient cause shown, shall otherwise direct. If shares represented by a certificate on which notation has been so made shall be transferred, each new certificate issued therefor shall bear similar notation, together with the name of the original dissenting holder of such shares, and a transferee of such shares shall acquire by such transfer no rights in the corporation other than those which the original dissenting shareholder had after making demand for payment of the fair value thereof.

Shares acquired by a corporation pursuant to payment of the agreed value therefor or to payment of the judgment entered therefor, as in this section provided, may be held and disposed of by such corporation as in the case of other treasury shares, except that, in the case of a merger or consolidation, they may be held disposed of as the plan of merger or consolidation may otherwise provide.

## AGREEMENT AND PLAN OF REINCORPORATION AND MERGER

This AGREEMENT AND PLAN OF REINCORPORATION AND MERGER (Reincorporation Agreement) is made as of October 14, 1987, by and between PacifiCorp, a Maine corporation, and PC/UP&L Merging Corp. (Merging Corp.), an Oregon corporation (collectively, Constituent Corporations).

### RECITALS

1. The authorized capital stock of PacifiCorp at August 31, 1987 consisted of 200,000,000 shares of Common Stock, $3.25 par value, of which 69,591,687 were issued and outstanding; 3,500,000 shares of Serial Preferred Stock, $100 par value, of which 754,092 shares were issued and outstanding; 126,533 shares of 5% Preferred Stock, $100 par value, of which 126,533 shares were issued and outstanding; and 16,000,000 shares of No Par Serial Preferred Stock, of which 1,183,815 shares were issued and outstanding (the Serial Preferred Stock, 5% Preferred Stock and No Par Serial Preferred Stock collectively referred to as "Preferred Stock");

2. The authorized capital stock of Merging Corp. consists of 100 shares of Common Stock, all of which are issued and outstanding and owned by PacifiCorp;

3. The directors of each corporation deem it advisable and to the advantage of the Constituent Corporations that PacifiCorp merge with and into Merging Corp. upon the terms and conditions herein provided;

THEREFORE, the parties adopt the plan of merger encompassed by this Reincorporation Agreement and agree that PacifiCorp shall merge into Merging Corp. on the following terms and conditions:

1. REINCORPORATION; SURVIVING CORPORATION; AND EFFECTIVE TIME.

1.1 *Reincorporation.* As soon as practicable following the fulfillment (or waiver, to the extent permitted) of conditions specified in this Reincorporation Agreement, PacifiCorp shall be merged with and into Merging Corp. (Reincorporation), and Merging Corp. shall survive the Reincorporation.

1.2 *Effective Time.* The Reincorporation shall be effective as of the later of the date and time when (i) Articles of Merger are duly filed with the Secretary of State of the State of Maine as provided by the Maine Business Corporation Act and (ii) Articles of Merger are duly filed with the Corporation Division of the State of Oregon as provided in the Oregon Business Corporation Act (Effective Time).

1.3 *Surviving Corporation.* At the Effective Time, Merging Corp., as the surviving corporation (Surviving Corporation), shall continue its corporate existence under the laws of the State of Oregon, and the separate corporate existence of PacifiCorp shall be terminated and shall cease.

2. TREATMENT OF SECURITIES.

2.1 *Common Stock of PacifiCorp and Merging Corp.* At the Effective Time, by virtue of the Reincorporation and without any further action on the part of the Constituent Corporations or their shareholders, (i) each share of Common Stock of PacifiCorp issued and outstanding immediately prior to the Effective Time shall be changed and converted into one fully paid and nonassessable share of the Common Stock of Merging Corp., and (ii) each share of Common Stock of Merging Corp. issued and outstanding immediately prior to the Effective Time shall be cancelled.

2.2 *Preferred Stock.* At the Effective Time, by virtue of the Reincorporation and without any further action on the part of the Constituent Corporations or their shareholders, (i) each share of PacifiCorp Serial Preferred Stock, $100 par value, issued and outstanding immediately prior to the Effective Time shall be changed and converted into one fully paid and nonassessable share of that

series of Serial Preferred Stock, $100 par value, of Merging Corp. having the same terms as the share converted, (ii) each share of PacifiCorp 5% Preferred Stock, $100 par value, issued and outstanding immediately prior to the Effective Time shall be changed and converted into one fully paid and nonassessable share of 5% Preferred Stock, $100 par value, of Merging Corp., and (iii) each share of PacifiCorp No Par Serial Preferred Stock issued and outstanding immediately prior to the Effective Time shall be changed and converted into one fully paid and nonassessable share of that series of No Par Serial Preferred Stock of Merging Corp. having the same terms as the share converted.

2.3 *Stock Certificates.* At and after the Effective Time, all of the outstanding certificates that, prior to that time, represented shares of the Common Stock or Preferred Stock of PacifiCorp shall be deemed for all purposes to evidence ownership of and to represent an equal number of shares of the same class and series of Common Stock or Preferred Stock of Merging Corp. and shall be so registered on the books and records of Merging Corp. or its transfer agent. The registered owner of any outstanding stock certificate shall, until such certificate shall have been surrendered for transfer or conversion or otherwise accounted for to Merging Corp. or its transfer agent, have and be entitled to exercise any voting and other rights with respect to, and to receive any dividend and other distributions upon, the shares of Merging Corp. evidenced by such outstanding certificate as above provided. After the Effective Time, whenever certificates which formerly represented shares of PacifiCorp are presented for exchange or registration of transfer, the Surviving Corporation will cause to be issued in respect thereof certificates representing the shares of Merging Corp. into which the shares of PacifiCorp were converted.

3. CHARTER DOCUMENTS, DIRECTORS AND OFFICERS.

3.1 *Articles of Incorporation.* At the Effective Time, the articles of incorporation of Merging Corp. then in effect shall be amended and restated to provide in their entirety as set forth in Exhibit A hereto, and as amended shall be the articles of incorporation of the Surviving Corporation until further amended or repealed in the manner provided by law.

3.2 *Bylaws.* The Bylaws of the Surviving Corporation in effect at the Effective Time shall continue in effect as the Bylaws of the Surviving Corporation without change or amendment until further amended in accordance with the provisions thereof and applicable law.

3.3 *Directors.* The directors of PacifiCorp immediately preceding the Effective Time shall be the directors of the Surviving Corporation on and after the Effective Time and shall serve until the expiration of their terms and until their successors are elected and qualified.

3.4 *Officers.* The officers of PacifiCorp immediately preceding the Effective Time shall be the officers of the Surviving Corporation on and after the Effective Time and shall serve at the pleasure of its Board of Directors.

4. TRANSFER OF ASSETS AND LIABILITIES; EMPLOYEE BENEFIT AND SHAREHOLDER PLANS.

4.1 *Succession.* At the Effective Time, the rights, privileges, powers and franchises, both of a public as well as of a private nature, of each of the Constituent Corporations shall be vested in and possessed by the Surviving Corporation, subject to all the disabilities, duties and restrictions of or upon each of the Constituent Corporations; and all and singular, the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, of each of the Constituent Corporations, and all debts due to any of the Constituent Corporations on whatever account, and all things in action or belonging to each of the Constituent Corporations shall be transferred to and vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest, shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Reincorporation; provided, however, that the liabilities of the Constituent Corporations and of their shareholders, officers and directors shall not be affected and all rights of creditors and all liens upon any property of either of the Constituent Corporations shall attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities

and duties had been incurred or contracted by it, and any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the Reincorporation had not taken place except as such claim, action or proceeding may be modified with the consent of such creditors.

4.2 *Employee Benefit and Shareholder Plans.* As of the Effective Time, Merging Corp. shall assume all obligations of PacifiCorp under any and all employee benefit or shareholder plans (including but not limited to the PacifiCorp Employee Stock Purchase Plan and the PacifiCorp Dividend Reinvestment and Stock Purchase Plan) in effect as of such date or with respect to which employee or shareholder rights or accrued benefits are outstanding as of such date, provided, however, that Common Stock of Merging Corp. shall be substituted for Common Stock of PacifiCorp thereunder. As of the Effective Time, Merging Corp. shall adopt and continue in effect all such employee benefit and shareholder plans, upon the same terms and conditions as were in effect immediately prior to the Reincorporation.

5. MISCELLANEOUS

5.1 *Further Assurances.* From time to time, and when required by the Surviving Corporation or by its successors and assigns, there shall be executed and delivered on behalf of PacifiCorp such deeds and other instruments, and there shall be taken or caused to be taken by it such further and other action, as shall be appropriate or necessary in order to vest or perfect in or to conform of record or otherwise in the Surviving Corporation the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of PacifiCorp and otherwise to carry out the purposes of this Reincorporation Agreement. The officers and directors of the Surviving Corporation are fully authorized in the name and on behalf of PacifiCorp or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

5.2 *Amendment.* This Reincorporation Agreement may be amended by the Boards of Directors of the Constituent Corporations at any time prior to the filing of this Reincorporation Agreement with the Maine Secretary of State or the Corporation Division of the State of Oregon, provided that an amendment made subsequent to the adoption of the Reincorporation Agreement by the shareholders of either Constituent Corporation, unless approved by such shareholders, shall not (i) alter or change the amount or kind of shares to be received upon conversion of the outstanding Common Stock or Preferred Stock of PacifiCorp (ii) alter or change any term relating to amendments to the articles of incorporation of the Surviving Corporation to be effected by the Reincorporation pursuant to Section 3.1, or (iii) alter or change any of the terms and conditions of the Reincorporation Agreement if such alteration or change would adversely affect the holders of the outstanding Common Stock or Preferred Stock of PacifiCorp.

5.3 *Conditions to Reincorporation.* The obligation of the Constituent Corporations to effect the transactions contemplated hereby is subject to satisfaction of the following conditions (any or all of which may be waived to the extent permitted by law in the sole discretion of the Boards of Directors of the Constituent Corporations: (i) the Reincorporation shall have been approved by the shareholders of PacifiCorp in accordance with the Maine Business Corporation Act; (ii) PacifiCorp, as sole shareholder of Merging Corp., shall have approved the Reincorporation in accordance with the Oregon Business Corporation Act; (iii) any and all nongovernmental consents, permits, authorizations, approvals and orders deemed, in the sole discretion of the Board of Directors of PacifiCorp, to be material to consummation of the Reincorporation shall have been obtained; (iv) the Common Stock of Merging Corp. shall have been approved for listing, upon notice of issuance, by the New York Stock Exchange and Pacific Stock Exchange; and (v) the parties shall have made all filings and received all approvals of any governmental or regulatory agency of competent jurisdiction necessary in order to consummate the Reincorporation, and each of such approvals shall be in full force and effect.

5.4 *Abandonment or Deferral.* At any time before the Effective Time, this Reincorporation Agreement may be terminated and the Reincorporation may be abandoned by the Board of Directors of either or both of the Constituent Corporations, notwithstanding the approval of this Reincorpora-

tion Agreement by the shareholders of PacifiCorp, or the consummation of the Reincorporation may be deferred for a reasonable period of time if, in the opinion of the Board of Directors of the Constituent Corporations, such action would be in the best interest of such corporations. In the event of termination of this Reincorporation Agreement, this Reincorporation Agreement shall become void and of no effect and there shall be no liability on the part of either Constituent Corporation or its Board of Directors or shareholders with respect thereto, except that PacifiCorp shall pay all expenses incurred in connection with the Reincorporation or in respect of this Reincorporation Agreement or relating thereto.

5.5 *Counterparts.* In order to facilitate the filing and recording of this Reincorporation Agreement, the same may be executed in any number of counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, this Reincorporation Agreement, having first been duly approved by the Boards of Directors of PacifiCorp and Merging Corp., is hereby executed on behalf of each Constituent Corporation.

PACIFICORP,
A Maine corporation

By: DON C. FRISBEE
Don C. Frisbee
Chairman and Chief Executive Officer

ATTEST:

By: SALLY A. NOFZIGER
Sally A. Nofziger
Corporate Secretary

PC/UP&L MERGING CORP.,
An Oregon corporation

By: A. M. GLEASON
A.M. Gleason
President

ATTEST:

By: SALLY A. NOFZIGER
Sally A. Nofziger
Secretary