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A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
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WASHINGTON, D. C. 20036

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CABLE "SHAWLAW"
TELEPHONE
(202) 822-1063

JAY E. SILBERG, P.C.

August 14, 1985

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Re: Cleveland Electric Illuminating Company
(Perry Nuclear Power Plant, Units 1 and 2)
Docket Nos. 50-440 and 50-441

Duquesne Light Company
(Beaver Valley Power Station, Unit 2)
Docket No. 50-412

Toledo Edison Company
(Davis-Besse Nuclear Power Plant)
Docket No. 50-346

Dear Sir:

Enclosed for your information are two documents (Form U-1 and Form S-4) recently filed with the Securities and Exchange Commission in connection with the proposed affiliation between The Cleveland Electric Illuminating Company (CEI) and The Toledo Edison Company (TE). Under the proposed affiliation, CEI and TE each will become subsidiaries of a holding company (temporarily named North Holding Company). The common share owners of CEI and TE will become common share owners of the Holding Company and all the outstanding common stock of CEI and TE will be held by the Holding Company. Both CEI and TE will continue as electric utility companies and will continue as NRC operating licensees and construction permittees. The proposed

2999
1/1

affiliation is subject to approval by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 and to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. It is also subject to an affirmative vote of the common share owners of CEI and TE.

Very truly yours,

Jay E. Silberg

Jay E. Silberg
Counsel for Cleveland Electric
Illuminating Company,
Duquesne Light Company,
Toledo Edison Company

JES:L

Enclosures

File No. ____

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1

APPLICATION
UNDER
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

North Holding Company
c/o Squire, Sanders & Dempsey
1800 Huntington Building
Cleveland, Ohio 44115

(Name of company filing this statement
and address of principal executive offices)

None

(Name of top registered holding company parent
of each applicant or declarant)

Paul M. Smart, Secretary and Treasurer
North Holding Company
300 Madison Avenue
Toledo, Ohio 43652

(Name and address of agent for service)

The Commission is requested to mail copies of
all orders, notices and communications to:

John P. Dunn, Esq.
Squire, Sanders & Dempsey
1800 Huntington Building
Cleveland, Ohio 44115
216-687-8567

Gerry D. Osterland
Jones, Day, Reavis &
Pogue
2300 LTV Center
2001 Ross Avenue
Dallas, Texas 75201
214-969-3722

Item 1. Description of Proposed Transaction.

Introduction.

North Holding Company (HC), an Ohio corporation, hereby applies for the approval of the Securities and Exchange Commission (the "Commission") under Section 10 of the Public Utility Holding Company Act of 1935 (the "1935 Act") of its acquisition of all of the outstanding shares of the common stock, no par value, of The Cleveland Electric Illuminating Company (the "CEI Common Stock"), an Ohio corporation ("CEI"), and all of the outstanding shares of common stock, $5 par value, of The Toledo Edison Company (the "TE Common Stock"), an Ohio corporation ("TE") and the related mergers pursuant to which the acquisitions will be effected. HC is not presently a holding company subject to the 1935 Act because it does not own or control or hold 10% of the outstanding voting securities of a public utility company. HC does not intend to register as a holding company if the proposed transaction is consummated because it believes it will be entitled to an exemption under Section 3(a)(1) of the 1935 Act since it and all its public utility subsidiaries will be predominantly intrastate in character and will carry on their business substantially in a single state, Ohio, in which each of them is organized. HC will file for such exemption immediately following the consummation of the proposed transactions pursuant to Rule 2 under the 1935 Act.

Description of the Parties to the Transaction.

CEI was incorporated on September 29, 1892. It is engaged in the production, transmission, distribution, sale of electricity at retail and the sale and purchase of electricity at wholesale, primarily in the following counties of Northeast Ohio: Lorain, Cuyahoga, Geauga, Lake and Ashtabula, and serves a population of approximately 1,850,000 persons. Its main office is located at 55 Public Square, Cleveland, Ohio 44101.

TE was incorporated on July 1, 1901. It is engaged in the production, transmission, distribution, sale of electricity at retail and at wholesale and purchase of electricity at wholesale, in the following counties of Northwest Ohio: Lucas, Fulton, Ottawa, Sandusky, Seneca, Wood, Henry, Defiance, Williams, Putnam, and serves a population of approximately 750,000 persons. Its main office is located at 300 Madison Avenue, Toledo, Ohio 43652.

HC was incorporated under the laws of the State of Ohio on June 28, 1985. HC was organized by TE and CEI for the purpose of acquiring all of the issued and outstanding shares of TE and CEI Common Stock. HC has organized two wholly-owned subsidiaries (the "Merger Companies"), East Merger Company, an Ohio corporation ("East") and West Merger Company, an Ohio corporation ("West"), for the purpose of consummating the transactions described herein. HC also presently intends to organize a service company, which will be an Ohio corporation and which will enter into certain system operational agreements

concerning operations, construction, systems dispatch for CEI and TE, and such other functions as may be agreed upon between CEI and TE. More detailed information concerning CEI, TE and HC is contained in the Registration Statement on Form S-4 filed as Exhibit C hereto (the "S-4").

The descriptions of TE's and CEI's business and properties set forth in or incorporated by reference in the S-4 are also hereby incorporated by reference. East and West have no business or properties.

Description of the Proposed Transaction.

CEI and TE have entered into an Agreement and Plan of Reorganization dated as of June 25, 1985 a copy of which is attached as Exhibit B-1 (the "Reorganization Agreement"). Consummation of the transactions contemplated by the Reorganization Agreement and the agreements of merger to be entered into pursuant thereto and attached as Exhibits to the Reorganization Agreement (the "Merger Agreements") is subject to, among other conditions, the approval of the Commission. Pursuant to the Reorganization Agreement and the Merger Agreements, the holders of TE and CEI Common Stock will become holders of common stock of HC ("HC Common Stock") and HC will become the sole holder of TE and CEI Common Stock. Both CEI and TE will continue as electric utility companies and their electric utility operations will represent the predominant part of the business of the HC system.

As more fully described in the Reorganization Agreement and the Merger Agreements (a) East will be merged into CEI; the issued and outstanding shares of East will be converted into and become that number of shares of CEI Common Stock equal to the aggregate number of shares of CEI Common Stock issued and outstanding immediately prior to the effective time of the merger (as defined below); each share of CEI Common Stock issued and outstanding at the effective time will be converted into 1.11 shares of HC Common Stock; and (b) West will be merged into TE; the issued and outstanding shares of West will be converted into and become that number of shares of TE Common Stock equal to the aggregate number of shares of TE Common Stock issued and outstanding immediately prior to the effective time of the merger; each share of TE Common Stock issued and outstanding at the effective time will be converted into one share of HC Common Stock. All HC Common Stock owned by CEI and TE outstanding immediately prior to the effective time of the mergers will be cancelled. The Merger Agreements provide that all other outstanding securities of CEI and TE shall be unaffected and remain outstanding after the effective time of the merger.

The "effective time" of the merger will be the time when the Merger Agreements and other documents required under Ohio law shall have been duly filed with the office of the Secretary of State of Ohio.

The Merger Agreements also provide, inter alia, that at the effective time, the holders of shares of CEI Common Stock and TE Common Stock will cease to have any rights as shareholders of CEI and TE, except for dissenters' rights. After the effective time certificates representing shares of CEI Common Stock and TE Common Stock as to which dissenters' rights have not been exercised will be exchangeable for certificates for shares of HC Common Stock.

The Reorganization Agreement and the Merger Agreements will be submitted to a vote of common shareholders at special meetings of shareholders of CEI and TE, after a solicitation of proxies made pursuant to Regulation 14A under the Securities Exchange Act of 1934.

Negotiations Leading to the Proposed Transaction.

The negotiations leading to the proposed transaction started in May of 1985 between the principal officers of CEI and TE. The Board of CEI appointed a special committee to review all aspects of the transaction in consultation with CEI's investment banking firm and to report its findings and conclusions to the CEI Board. TE's standing Strategic Planning Committee similarly reviewed the transaction in depth and reported its findings and conclusions to the TE Board. CEI retained the firm of Morgan Stanley & Co. Incorporated ("Morgan Stanley") as financial advisor, while TE retained Merrill Lynch Capital Markets, Merrill Lynch, Pierce, Fenner & Smith

Incorporated ("Merrill Lynch"). Thereafter, the negotiations proceeded during the month of June among the principal officers of each company and their financial and legal advisors. The Boards of Directors of CEI and TE approved the Reorganization Agreement and the transactions contemplated thereby on June 25, 1985.

Reasons for and Anticipated Effect of Transaction.

Developments in the electric utility industry over the last two decades, particularly in the areas of construction and operation of nuclear generating units, in which CEI and TE are heavily engaged, warrant the creation of an electric utility system larger than either CEI or TE. The installation of large capacity generating and transmission facilities requires huge investments to realize the expected benefits of economies of scale. Nuclear generating units require adherence to very exacting construction, operating and maintenance standards. Regulation in almost every area of the electric utility business has greatly multiplied resulting in very large compliance costs. Energy conservation growing out of the energy crisis of the mid-1970's has significantly reduced load growth expectations. Inflation has escalated costs. Utilities are experiencing consumer opposition to higher electric rates prompted by these developments.

CEI and TE developed their existing relationships as members of Central Area Power Coordination Group ("CAPCO

Group") during the period in which these changes have been occurring, in part as an effort to meet the challenges of continuing reliable service to customers at reasonable cost and providing a sound investment for investors in the face of these changes. These relationships have not included unification of capital and management.

The Boards of Directors and managements of CEI and TE believe that the added capabilities afforded by the proposed transactions are necessary to achieve additional benefits which their existing relationships cannot provide. These capabilities will be derived from the pooling of common stock equity, management, manpower and technical expertise and the increased coordination of the use of their facilities, all under unified management. In particular, it is expected that this pooling and coordination will enable the affiliated companies to achieve over the long term the following benefits:

1. Improved and more effective planning, management and operation of the two companies, including the construction, operation and maintenance of their nuclear generating units, through the marshalling and efficient allocation of manpower, experience and expertise.

2. Savings and efficiencies resulting from consolidation, through a service company or otherwise, of similar functions of the two companies, such as planning, financing, engineering, purchasing, management information systems and administration.

3. Implementation of an equitable program of capacity rationalization designed to be mutually advantageous to the customers of both utility companies.

4. Reduced requirements for future additions to generating capacity, as well as operating savings, resulting from the joint economic dispatch of electricity and better integrated operation and coordinated maintenance of generating facilities.

5. Improved ability to utilize developing technologies and comply with environmental regulations.

6. Increased stability of industrial sales due to the greater diversity of the combined industrial customers of the two companies. CEI serves steel and chemical companies, and TE serves oil refineries and glass companies. Both utilities serve the automobile, auto parts and diverse other industries.

7. Better capability to take advantage of opportunities in the wholesale market for the sale and purchase of electricity.

8. Increased financial stability and strength of the affiliate companies.

Additional Information

Information pertaining to shares of CEI and TE Common Stock owned by the directors and officers of CEI and TE is set forth in, and incorporated by reference in, the S-4 and is hereby incorporated herein by reference.

Item 2. Fees, Commissions and Expenses.

The fees, commissions and expenses to be paid or incurred by CEI, HC and TE in connection with the proposed transactions including the reorganization, mergers, solicitation of proxies, 1933 Act registration and other related matters are estimated as follows:

Commission filing fee relating to Joint Proxy Statement Prospectus and Registration Statement on Form S-4	$ 516,266*
Commission filing fee relating to Application on Form U-1	$ 2,000*
State taxes and fees payable by East, West and HC	$ 400,000
Auditors' Fees	
Arthur Andersen & Co	$ 34,000
Price Waterhouse	$ 30,000
Legal Fees	
Squire, Sanders & Dempsey	$ 800,000
Jones, Day, Reavis & Pogue	$ 550,000
Fuller & Henry	$ 90,000
Shaw, Pittman, Potts & Trowbridge	$ 25,000
Printing	$ 500,000
Investment Bankers' Fees	
Morgan Stanley	$ 350,000**
Merrill Lynch	$ 250,000**
Miscellaneous	$ 125,000
Total	$3,672,266***

* Actual Amounts

** In the event the transactions are consummated Morgan Stanley and Merrill Lynch will be paid a total of $3,794,000 and $3,100,000, respectively, based on the current market prices of the common stock of CEI and TE. In the event the transactions are not consummated Morgan Stanley will be compensated on a time and effort basis.

*** This amount does not include the fees payable to the exchange agents for CEI and TE. An estimate of such fees will be supplied by Amendment to the Application.

Item 3. Applicable Statutory Provisions.

The following sections of the 1935 Act are directly or indirectly applicable to the proposed transaction: Sections

9(a)(2) and 10(a), (b), (c) and (f). To the extent that other Sections or Rules are deemed applicable to the transactions such Sections and Rules should be considered to be set forth in this Item 3.

As a result of the conversion of East and West Common Shares into CEI Common and TE Common, HC will become an affiliate of both CEI and TE, two public utility companies, which requires Commission approval of the proposed transaction under the standards set forth pursuant to Section 10(b), (c) and (f).

Under Section 10(b) the Commission shall approve the acquisition, unless it finds that:

> (1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers;
>
> (2) in case of the acquisition of securities or utility assets, the consideration, including all fees, commissions, and other remuneration, to whomsoever paid, to be given, directly or indirectly, in connection with such acquisition is not reasonable or does not bear a fair relation to the sums invested in or the earning capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired; or
>
> (3) such acquisition will unduly complicate the capital structure of the holding company system of the applicant or will be detrimental to the public interest or consumers or the proper functioning of such holding company system.

Under Section 10(c) the Commission shall not approve the acquisition if it would result in certain conditions. Section 10(c) provides:

> Notwithstanding the provisions of subsection (b), the Commission shall not approve:
>
> (1) an acquisition of securities or utility assets, or of any other interest, which is unlawful under the provisions of Section 8 or is detrimental to the carrying out of the provisions of Section 11; or
>
> (2) the acquisition of securities or utility assets of a public utility or holding company unless the Commission finds that such acquisition will serve the public interest by tending towards the economical and the efficient development of an integrated public utility system. This paragraph shall not apply to the acquisition of securities or utility assets of a public utility company operating exclusively outside the United States.

TE currently owns a small retail gas operation serving two communities with approximately 5,000 retail customers which accounted for less than 2% of its revenues for the 12 months ended June 30, 1985. On June 26, 1985, it executed a letter of intent to sell those gas operations to Ohio Gas Company. The sale is subject to the approval of the Public Utilities Commission of Ohio ("PUCO"). Based on current information, it is believed that the sale may be completed by October 1985. Considering the very de minimis nature of the retail gas operations, the existence of these operations even if they are not sold, should not be considered detrimental under Section 11(b) requiring a single integrated system in light of

the historical precedent allowing retention of separate gas properties.

Section 11 states that it is the duty of the Commission to examine the corporate structure of holding companies in order to avoid unnecessary complexities and to simplify such structure. The proposed transaction will result in a very simple structure and, consequently, will not be detrimental to the carrying out of the provisions of Section 11. Further, HC will acquire all of the outstanding common stock of TE and CEI so that there will be no minority interest in either company, thus complying with Section 11(b)(2) of the 1935 Act.

In accordance with the requirements of Section 10(c) the combined systems of TE and CEI are physically interconnected by high voltage transmission lines as part of the CAPCO transmission system, and will be and are "not so large as to impair the advantages of localized management, efficient operation, and the effectiveness of regulation". Although not contiguous, the regions served by CEI and TE are very close, separated by about only 50 miles. See, e.g., Union Electric Company, 45 SEC 489 (1974), where strict contiguity was not required by the Commission and one of the service areas of the utility to be acquired was separated from Union Electric's service area by about 40 miles. The effectiveness of regulation will not be impaired since CEI and TE will continue to be regulated by only one state agency, the PUCO, and the respective interstate activities of CEI and TE will

continue to be regulated by the Federal Energy Regulatory Commission.

The proposed transaction will result in the economies and efficiences required by Section 10(c)(2). The benefits from the affiliation of CEI and TE are set forth in Item 1 of this Application.

The acquisition will not tend towards interlocking relations of a kind or to an extent detrimental to the public interest or the interest of investors or consumers. Although, by its very nature, the proposed transaction will result in certain interlocking relations, the benefits that accrue to the public, to consumers and to investors from the affiliation of CEI and TE and which are identified above in Item 1, clearly show that whatever interlocking relations may arise are not detrimental to the public interest, consumers or investors. The transaction will not tend towards a concentration of public utility companies detrimental to the public interest, consumers or investors.

Section 10(b)(2) further requires that the Commission examine the consideration underlying the transaction, including all fees, commissions and other remuneration. As indicated above the investment banking firms of Morgan Stanley and Merrill Lynch have passed upon the fairness of the ratio at which shares of CEI and TE Common Stock will be exchanged for shares of HC Common Stock. These ratios were approved by the Boards of each company after extensive negotiations at

arms-length between the management of the two companies and consultations with Morgan Stanley and Merrill Lynch. The fees and commissions paid in connection with this transaction are also reasonable and fair in light of the size and nature of the transaction. Consequently, the consideration underlying the acquisition of securities meets the standards of Section 10(b)(2).

Further, consistent with the determination under Section 10(c)(2) that the acquisition of securities will serve the public interest, such acquisition is therefore not detrimental to the public interest, consumers or investors under Section 10(b)(3).

Approval of the transactions contemplated by the Reorganization Agreement is not required under any state law and therefore Section 10(f) has no application.

Finally, the acquisition will neither unduly complicate the capital structure of the holding company system nor be detrimental to the public interest, the interest of investors or consumers or the proper functioning of the holding company system. No complexities proscribed by Section 10(b)(3) will result.

In sum, no basis exists for the Commission to find that the standards of Section 10(b) preclude approval of the acquisition.

Based on the foregoing, HC respectfully requests that the Commission issue an order approving its acquisition of all

of the CEI and TE Common Stock outstanding at the effective time and the mergers pursuant to the Merger Agreements.

The Applicant is not currently an affiliate of a public utility company. Upon the consummation of the proposed transaction, HC will become an affiliate of both CEI and TE, two public utilities, by virtue of owning all of the outstanding common shares of CEI and TE.

Item 4. Regulatory Approvals

No federal commission, other than the Commission, and no state regulatory authority has jurisdiction over the proposed reorganization and mergers. Even though the PUCO has no jurisdiction, it has been advised of the transactions and will be supplied with a copy of this Application and the S-4. CEI and TE, of course, will provide further information to the PUCO on the transactions as requested.

Item 5. Procedure.

The Commission is respectfully requested to issue and publish not later than August 15, 1985 the requisite notice under Rule 23 with respect to the filing of this Application, such notice to specify a date not later than September 9, 1985 by which comments may be entered and a date not later than September 10, 1985 as the date after which an order of the Commission granting and permitting this Application to become effective may be entered by the Commission.

It is submitted that a recommended decision by a hearing or other responsible officer of the Commission is not needed with respect to the proposed transaction. The Division of Investment Management may assist in the preparation of the Commission's decision. There should be no waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements.

The following exhibits and financial statements are filed as a part of this Application.

(a) Exhibits

A-1 Articles of Incorporation of HC (see Exhibit C to Exhibit B-1).

A-2 Regulations of HC (see Exhibit D to Exhibit B-1).

B-1 Agreement and Plan of Reorganization dated as of June 25, 1985, between CEI and TE.

B-2 Agreements of Merger (see Exhibits A and B to Exhibit B-1).

C Registration Statement on Form S-4 (without exhibits) including incorporated documents.

D Map showing the service areas of TE and CEI and the interconnection of the operating and transmission facilities of CEI and TE.

E-1 Preliminary Opinion of counsel (to be filed by Amendment).

E-2 Final "past time" opinion of counsel (to be filed with Certificate of Notification).

(b) Financial Statements

(1) HC Unaudited Balance Sheet at June 30, 1985.

(2) HC Unauditied Pro Forma Combined Financial Information

(i) Unaudited Pro Forma Combined Balance Sheets at June 30, 1985 (see Registration Statement filed as Exhibit C).

(ii) Unaudited Pro Forma Combined Statements of Income and Surplus for the Twelve Months Ending June 30, 1985 (see Registration Statement filed as Exhibit C).

(3) (i) Unaudited Balance sheet of CEI at June 30, 1985 (see Registration Statement filed as Exhibit C).

(ii) Unaudited Statement of income and surplus of CEI for the 12 months ended June 30, 1985 (see Registration Statement filed as Exhibit C).

(iii) Statement of income and surplus of CEI for the last three fiscal years (1982, 1983, 1984) (see Annual Report to Shareholders filed with Exhibit C).

(iv) Unaudited Balance sheet of TE at June 30, 1985 (see Registration Statement filed as Exhibit C).

(v) Statement of income and surplus of TE for the 12 months ending June 30, 1985 (see Registration Statement filed as Exhibit C).

(vi) Statement of income and surplus of TE for the last three fiscal years (1982, 1983, 1984) (see Annual Report to Shareholders filed with Exhibit C).

(3) There have been no material changes, not in the ordinary course of business, to the aforementioned balance sheets from the date thereof, to the date of this Application.

Item 7. Information as to Environmental Effects.

The proposed transaction, a corporate restructuring, neither involves a "major federal action" nor "significantly affects the quality of the human environment" as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. The only federal actions related to the proposed transactions pertain to the Commission's declaration of the effectiveness of the Form S-4, and this application before the Commission. Consummation of the proposed transaction will not result in changes in the operating of CEI or TE that would have any impact on the environment. No federal agency is preparing an Environmental Impact Statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement (or amendment) to be signed on its behalf by the undersigned thereunto duly authorized.

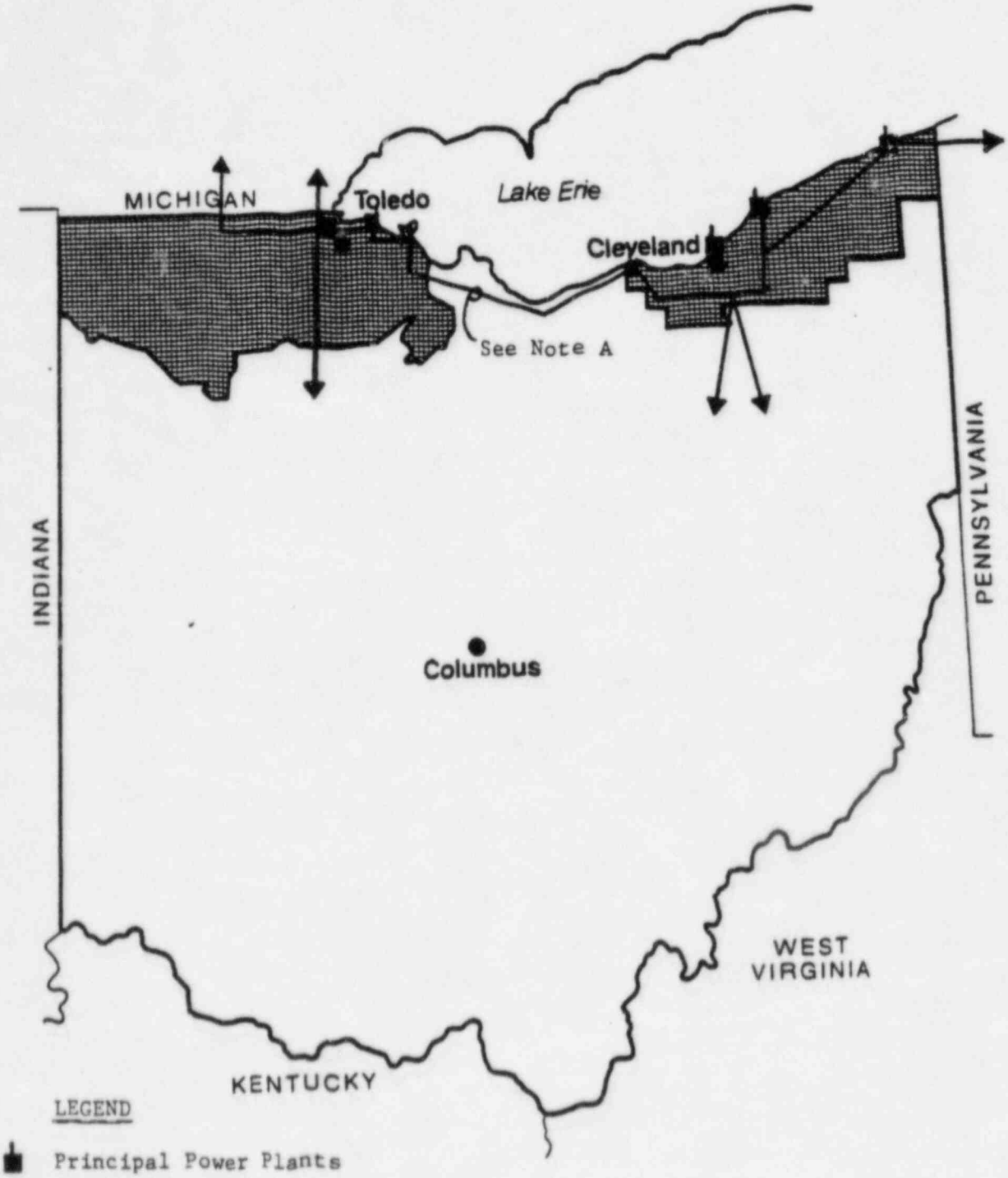
NORTH HOLDING COMPANY

By: Robert M. Ginn
President and Chief
Executive Officer

Date: August 5, 1985.

0031U/CL

Exhibit D



LEGEND

Principal Power Plants

Davis-Besse Nuclear Plant

Principal Interconnecting 345,000 volt Transmission

Note A: Direct interconnecting CAPCO 345,000 volt transmission line

EXHIBIT (b)(i)

HC was incorporated on June 28, 1985 and has not engaged in any business since that date. Accordingly, as of the date of this Application, HC has no assets, liabilities or income and has no financial statements other than those unaudited, pro forma financial statements contained in the Registration Statement filed as Exhibit C to this Application. It is presently anticipated that the costs incurred by HC in connection with its proposed transaction will initially be deferred and that pending regulatory treatment, such costs will be expensed over the period of rate of recovery or expensed in accordance with Paragraph 58 of Accounting Principles Board Opinion Number 16.

As filed with the Securities and Exchange Commission on August 8, 1985

Registration No. 2-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

NORTH HOLDING COMPANY

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of incorporation or organization)

4910	34-1479083
(Primary Standard Industrial Classification Code Number)	**(I.R.S. Employer Identification No.)**

1800 Huntington Building
Cleveland, Ohio 44115
Attention: PAUL B. CAMPBELL
(216) 687-8666

(Address including ZIP code and telephone number including area code of registrant's principal executive offices)

PAUL M. SMART
Secretary and Treasurer
NORTH HOLDING COMPANY
300 Madison Avenue
Toledo, Ohio 43652
(419) 249-5256

(Name, address including ZIP code and telephone number including area code of agent for service)

Copies to:

GORDON S. KAISER, JR.
Squire, Sanders & Dempsey
1800 Huntington Building
Cleveland, Ohio 44115
(216) 687-8681

DARVIN DEMARCHI, JR.
Jones, Day, Reavis & Pogue
1700 Huntington Building
Cleveland, Ohio 44115
(216) 348-7140

Approximate date of commencement of proposed sale of the securities to the public:
Upon consummation of the Affiliation described in this Registration Statement

If the Securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per unit (2)	Proposed maximum aggregate offering price (2)	Amount of Registration fee
Common Stock (without par value)	132,376,000 Shs.	$19.49	$2,579,450,000	$515,890

(1) Based upon the maximum number of North Holding Company Common Shares issuable upon the affiliation of The Cleveland Electric Illuminating Company and The Toledo Edison Company.

(2) Represents the value of Common Stock of The Cleveland Electric Illuminating Company and The Toledo Edison Company to be converted in the mergers, computed pursuant to Rule 457(e)(1), based upon the lowest sale price of the Common Stock of The Cleveland Electric Illuminating Company on August 6, 1985, as reported in The Wall Street Journal, and of the Common Stock of The Toledo Edison Company on July 24, 1985, as reported in The Wall Street Journal.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

NORTH HOLDING COMPANY

Cross Reference Sheet
Pursuant to Item 501(b) of Regulation S-K

Form S-4—Item No. and Caption	Prospectus/Proxy Statement
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus.	Facing Page of Registration Statement; Cross Reference Sheet; Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.	Available Information; Incorporation by Reference; Table of Contents
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information.	Summary of Joint Proxy Statement/ Prospectus; Summary Financial Information; Introduction
4. Terms of the Transaction.	The Affiliation
5. Pro Forma Financial Information.	Pro Forma Financial Information
6. Material Contacts with the Company Being Acquired.	Relationships Between CEI and Toledo Edison; Selected Information Concerning CEI; Selected Information Concerning Toledo Edison
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters.	Not Applicable
8. Interests of Named Experts and Counsel.	Not Applicable
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.	Indemnification of Holding Company's Officers and Directors
10. Information with Respect to S-3 Registrants.	The Affiliation; Pro Forma Financial Information; Relationships Between CEI and Toledo Edison; Selected Information Concerning CEI; Selected Information Concerning Toledo Edison
11. Incorporation of Certain Information by Reference.	Incorporation by Reference
12. Information with Respect to S-2 or S-3 Registrants.	Not Applicable
13. Incorporation of Certain Information by Reference.	Not Applicable
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants.	Not Applicable
15. Information with Respect to S-3 Companies.	Incorporation by Reference; The Affiliation; Pro Forma Financial Information; Relationships Between CEI and Toledo Edison; Selected Information Concerning CEI; Selected Information Concerning Toledo Edison
16. Information with Respect to S-2 or S-3 Companies.	Not Applicable
17. Information with Respect to Companies Other Than S-3 or S-2 Companies.	Not Applicable
18. Information if Proxies, Consents or Authorizations are to be Solicited.	Voting, Proxies, Authorizations and Regulatory Matters; Summary of Joint Proxy Statement/Prospectus; Introduction; Incorporation by Reference; The Affiliation
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer.	Not Applicable

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

NOTICE OF SPECIAL MEETING OF SHAREOWNERS

October 11, 1985

To the Common Stock Shareowners of
The Cleveland Electric Illuminating Company:

A special meeting of the Shareowners of The Cleveland Electric Illuminating Company (the "Company") will be held at , Cleveland, Ohio, on November 26, 1985 at 10:00 a.m., Cleveland time, for the purpose of acting on the following matters:

1. To consider and vote upon a proposal to approve and adopt an Agreement and Plan of Reorganization between the Company and The Toledo Edison Company ("Toledo Edison") dated June 25, 1985, which agreement provides for simultaneous mergers of subsidiaries of North Holding Company (the "Holding Company") into the Company and Toledo Edison, respectively, with the result that the Company and Toledo Edison each will become subsidiaries of the Holding Company as described in the accompanying Joint Proxy Statement/Prospectus and the common stock shareowners of the Company and Toledo Edison will become common stock shareowners of the Holding Company; and to approve and adopt an Agreement of Merger between the Company and the East Merger Company, a wholly-owned subsidiary of the Holding Company.

2. Any other matters which may properly come before the meeting.

Holders of record of Common Stock at the close of business on September 30, 1985 will be entitled to vote at the meeting.

By order of the Board of Directors,

E. LYLE PEPIN, *Secretary*

THE TOLEDO EDISON COMPANY

NOTICE OF SPECIAL MEETING OF SHAREOWNERS

October 11, 1985

To the Common Stock Shareowners of
The Toledo Edison Company:

A special meeting of the Shareowners of The Toledo Edison Company (the "Company") will be held at , Toledo, Ohio, on November 26, 1985 at 10:00 a.m., Toledo time, for the purpose of acting on the following matters:

1. To consider and vote upon a proposal to approve and adopt an Agreement and Plan of Reorganization between the Company and The Cleveland Electric Illuminating Company ("CEI") dated June 25, 1985, which agreement provides for simultaneous mergers of subsidiaries of North Holding Company (the "Holding Company") into the Company and CEI, respectively, with the result that the Company and CEI each will become subsidiaries of the Holding Company as described in the accompanying Joint Proxy Statement/Prospectus and the common stock shareowners of the Company and CEI will become common stock shareowners of the Holding Company; and to approve and adopt an Agreement of Merger between the Company and the West Merger Company, a wholly-owned subsidiary of the Holding Company.

2. Any other matters which may properly come before the meeting.

Holders of record of Common Stock at the close of business on September 30, 1985 will be entitled to vote at the meeting.

By order of the Board of Directors,

STRATMAN COOKE, *Secretary*

JOINT PROXY STATEMENT/PROSPECTUS

NORTH HOLDING COMPANY,

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
AND
THE TOLEDO EDISON COMPANY

132,376,000 Shares of North Holding Company Common Stock

Special Meetings of Shareowners to be Held November 26, 1985

North Holding Company, an Ohio corporation (the "Holding Company"), has filed a Registration Statement on Form S-4 with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933 covering shares of Holding Company Common Stock to be issued in connection with the affiliation (the "Affiliation") of The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("Toledo Edison"), as more fully described below. This Joint Proxy Statement/Prospectus also constitutes the prospectus of the Holding Company filed as a part of such registration statement. See "Available Information."

No person is authorized to give any information or to make any representation not 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 since the date of this Joint Proxy Statement/Prospectus.

THESE SECURITIES 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.

The date of this Joint Proxy Statement/Prospectus is October 11, 1985. This Joint Proxy Statement/Prospectus is first being mailed to the common stock shareowners of CEI and Toledo Edison on or about October 11, 1985.

AVAILABLE INFORMATION

CEI and Toledo Edison are subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and accordingly file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information filed with the Commission are available for inspection and copying at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at certain of the Commission's regional offices located at Room 1228, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604; Room 1100, Federal Building, 26 Federal Plaza, New York, New York 10007; and Suite 500 East, 5757 Wilshire Boulevard, Los Angeles, California 90036-3648. Copies of such documents may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, at prescribed rates. In addition, such material and other information concerning CEI and Toledo Edison can be inspected at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York, the Midwest Stock Exchange, 120 South LaSalle Street, Chicago, Illinois, 60603 and the Pacific Stock Exchange, 301 Pine Street, San Francisco, California, 94104, on which exchanges shares of CEI and Toledo Edison are listed, and, concerning Toledo Edison, also at the American Stock Exchange, 86 Trinity Place, New York, New York, 10006, on which exchange preferred shares of Toledo Edison are listed.

North Holding Company has filed with the Commission, under the Securities Act of 1933, a Registration Statement on Form S-4 with respect to the shares issuable in connection with the Affiliation. This Joint Proxy Statement/Prospectus does not contain all the information set forth in such Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Such 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 PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. THESE DOCUMENTS ARE AVAILABLE UPON REQUEST FROM, IN THE CASE OF CEI, E. LYLE PEPIN, SECRETARY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, P. O. BOX 5000, CLEVELAND, OHIO 44101, (216) 622-9800, AND, IN THE CASE OF TOLEDO EDISON, STRATMAN COOKE, SECRETARY, THE TOLEDO EDISON COMPANY, 300 MADISON AVENUE, TOLEDO, OHIO 43652, (419) 249-5231. IN ORDER TO INSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY NOVEMBER 19, 1985.

THE HOLDING COMPANY, CEI AND TOLEDO EDISON 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, OTHER THAN EXHIBITS TO SUCH DOCUMENTS. REQUESTS FOR SUCH DOCUMENTS SHOULD BE DIRECTED, IN THE CASE OF CEI AND TOLEDO EDISON, TO THE PERSONS INDICATED ABOVE, AND IN THE CASE OF THE HOLDING COMPANY, TO PAUL B. CAMPBELL, 1800 HUNTINGTON BUILDING, CLEVELAND, OHIO 44115 (216) 687-8666.

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

1. CEI's Annual Report on Form 10-K for the year ended December 31, 1984 (the "CEI Form 10-K"); CEI's current reports on Form 8-K dated April 4, 1985, April 30, 1985, May 8, 1985, June 9, 1985, June 24, 1985, June 25, 1985 and July 24, 1985; CEI's Quarterly Report on Form 10-Q for the quarters ended March 31, 1985 and ; and CEI's Proxy Statement for the 1985 annual meeting of shareowners (the "CEI Proxy Statement").

The consolidated financial statements of CEI and its subsidiaries as of December 31, 1984 and the report (which is subject to the outcome of an uncertainty with respect to Perry Unit 2 as discussed in Note L to the financial statements) of Price Waterhouse dated February 8, 1985, both included in the CEI Form 10-K and incorporated by reference in this Joint Proxy Statement/Prospectus should be read in conjunction with the matters discussed under Item 1, "Business — Construction and Financing Program — Construction Program" and "Business — Operations — Electric Rates" in the CEI Form 10-K incorporated by reference in this Joint Proxy Statement/Prospectus, the matters discussed in the Forms 8-K incorporated by reference in this Joint Proxy Statement/Prospectus and the matters discussed within "Selected Information Concerning CEI" under the headings "Perry Unit 2 AFUDC Accrual", "Davis-Besse" and "Rates" in this Joint Proxy Statement/Prospectus.

2. Toledo Edison's Annual Report on Form 10-K for the year ended December 31, 1984 (the "Toledo Edison Form 10-K") which incorporates by reference certain portions of Toledo Edison's 1984 Annual Report to shareowners, together with the report of Toledo Edison's independent public accountants, Arthur Andersen & Co., whose opinion is qualified with respect to the recoverability of Toledo Edison's investment in Perry Unit 2; Toledo Edison's current reports on Form 8-K filed January 30, 1985, February 21, 1985, April 10, 1985, June 3, 1985, June 14, 1985, July 2, 1985, July 16, 1985 and July 22, 1985; Toledo Edison's Quarterly Report on Form 10-Q for the quarters ended March 31, 1985 and ; and Toledo Edison's Proxy Statement for the 1985 annual meeting of shareowners (the "Toledo Edison Proxy Statement").

All documents filed by the Holding Company, CEI or Toledo Edison pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the date of the special meeting of the shareowners of CEI to be held on November 26, 1985, and any and all adjournments thereof (the "CEI Special Meeting"), and the special meeting of the shareowners of Toledo Edison to be held on November 26, 1985, and any and all adjournments thereof (the "Toledo Edison Special Meeting"), shall be deemed to be incorporated by reference herein and to be 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 detailed information and financial statements (including notes thereto) appearing in the documents incorporated by reference.

SUMMARY OF JOINT PROXY STATEMENT/PROSPECTUS

The following is a summary of certain important terms of the Affiliation and related information. This summary does not purport to be complete and is qualified in its entirety by reference to the more detailed information appearing in this Joint Proxy Statement/Prospectus and the Appendices.

Executive Offices

The principal executive offices of the Holding Company have been temporarily located at 1800 Huntington Building, Cleveland, Ohio 44115, (216) 687-8666. Prior to consummation of the Affiliation new principal executive offices of the Holding Company will be established at a location in the Greater Cleveland area. The principal executive offices of CEI are located at The Illuminating Building, 55 Public Square, Cleveland, Ohio 44101, (216) 622-9800. The principal executive offices of Toledo Edison are located at 300 Madison Avenue, Toledo, Ohio 43652, (419) 249-5000.

CEI

CEI was incorporated under the laws of the State of Ohio in 1892 and is a public utility engaged primarily in the generation, transmission, distribution and sale of electric energy to an area of approximately 1,700 square miles in Northeastern Ohio, including Cleveland, extending about 100 miles along the south shore of Lake Erie west from Pennsylvania, with an estimated population of 1,850,000. CEI derives approximately 70% of its total electric revenue from customers outside the City of Cleveland. CEI also provides steam service for heating and other purposes in the downtown area of Cleveland. During the 12 months ended June 30, 1985, approximately 99% of the Company's operating revenues were derived from the sale of electric energy.

Toledo Edison

Toledo Edison was incorporated under the laws of the State of Ohio in 1901 and is a public utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Toledo and Northwestern Ohio, covering an area of approximately 2,500 square miles, with an estimated population of 750,000. Although Toledo Edison also provides a relatively small amount of natural gas service, Toledo Edison has entered into an agreement in principle to sell that part of its business. See "Selected Information Concerning Toledo Edison." Assuming the sale of the natural gas system is consummated, 100% of Toledo Edison's operating revenues are anticipated to be derived from the sale of electricity.

The Affiliation

The Reorganization Agreement provides for the formation of the Holding Company, wholly-owned subsidiaries of which will engage in simultaneous mergers with CEI and Toledo Edison with the result that the common stock shareowners of CEI and Toledo Edison will become common stock shareowners of the Holding Company and all of the outstanding CEI and Toledo Edison Common Stock will be held by the Holding Company.

Exchange Ratios

Each share of CEI Common Stock outstanding immediately prior to the Effective Time will, upon consummation of the Affiliation, be converted into 1.11 shares of Holding Company Common Stock and each share of Toledo Edison Common Stock outstanding immediately prior to the Effective Time will be converted into one share of Holding Company Common Stock. Holders of CEI and Toledo Edison Common Stock will receive cash in lieu of fractional shares (except participants in the dividend reinvestment plans of CEI and Toledo Edison).

Reasons for the Affiliation

The Boards of Directors and managements of CEI and Toledo Edison believe that the Affiliation, through pooling of management, manpower and technical expertise and increased coordinated use of their facilities, will enable the companies, in the long-term, to achieve benefits of increased financial stability and strength, improved and unified management, efficiencies of operation, better use of facilities for the benefit of customers, reduced requirements for future additional generating capacity, improved ability to utilize new technologies and greater industrial sales diversity. See "The Affiliation — Reasons for the Affiliation."

Tax Consequences

It is a condition to the consummation of the Affiliation that the Internal Revenue Service issue a ruling to the effect that, assuming compliance with certain guidelines, the Affiliation will qualify as a tax-free exchange under the Internal Revenue Code of 1954, as amended (the "Code"). Assuming the Affiliation so qualifies, then for Federal income tax purposes, holders of CEI or Toledo Edison Common Stock whose shares are converted into Holding Company Common Stock in the Affiliation will recognize no gain or loss as a result of the conversion (except in connection with any cash received in lieu of a fractional Holding Company share), and the holding period and basis applicable to Holding Company shares received in the Affiliation will be the same as the holding period (assuming CEI or Toledo Edison Common Stock was a capital asset in its holder's hands) and basis (disregarding cash received in lieu of a fractional share) attributable to the CEI or Toledo Edison Common Stock, as the case may be, that was held by such holder and converted in the Affiliation. See "The Affiliation — Tax Consequences."

CEI and Toledo Edison Common Stock shareowners are urged to consult their own tax advisors to determine the particular tax consequences to them of the Affiliation, including the application and effect of state, local and other tax laws.

To date both CEI and Toledo Edison Common Stock have been exempt from existing Pennsylvania personal property taxes as a result of taxes paid by each company on the activities of each in Pennsylvania. It is not anticipated that the Holding Company will engage in such activities or that Holding Company Common Stock will be exempt from Pennsylvania personal property taxes.

Shareowner Approvals

The affirmative vote of 66⅔% of the outstanding shares of each of CEI Common Stock and Toledo Edison Common Stock is required for approval and adoption of the Reorganization Agreement and the respective Merger Agreements. CEI's directors, officers and their affiliates as a group own approximately 0.5% of the outstanding CEI Common Stock and none of the outstanding stock of any class of CEI other than its Common Stock. Toledo Edison's directors, officers and their affiliates as a group own approximately 0.1% of the outstanding Toledo Edison Common Stock and none of the outstanding stock of any class of Toledo Edison other than its Common Stock, except that Richard P. Crouse, an officer and director of Toledo Edison, owns 50 shares of its 8.84% Cumulative Preferred Stock ($25.00 par value). See "Voting, Proxies, Authorizations and Regulatory Matters."

Regulatory Matters

The Affiliation is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the approval of the Commission pursuant to the Public Utility Holding Company Act of 1935. CEI and Toledo Edison do not believe that there are any other regulatory approvals required in connection with the Affiliation, although there have been additional discussions and consultations with certain regulatory bodies. See "Voting, Proxies, Authorizations and Regulatory Matters — Regulatory Matters."

Dissenters' Rights

Any holder of record of CEI or Toledo Edison Common Stock at the close of business on September 30, 1985 (the "Record Date") whose shares are not voted in favor of the Reorganization Agreement and the respective Merger Agreement is entitled, if the Affiliation is consummated, to be paid the fair cash value of such shares held by him or her on the Record Date, provided he or she serves a written demand upon the issuer of such shares not later than ten days after the date of the CEI and Toledo Edison Special Meetings and provided he or she otherwise complies with Section 1701.85 of the Ohio Revised Code. See "The Affiliation — Dissenters' Rights."

Accounting Treatment

The Affiliation will be treated as a "pooling of interests" for accounting purposes. See "The Affiliation — Accounting Treatment."

Rights to Terminate

The Reorganization Agreement and the Merger Agreements are subject to termination and abandonment under certain conditions. See "The Affiliation — Other Terms."

Market for Holding Company Common Stock

It is a condition precedent to the consummation of the Affiliation that Holding Company Common Stock be authorized for listing on the New York Stock Exchange, subject to issuance. Holding Company Common Stock is not currently publicly held or traded and there was no market for Holding Company Common Stock prior to the announcement of the proposed Affiliation. CEI and Toledo Edison Common Stock are listed on the New York, Midwest and Pacific Stock Exchanges. The table below contains the high and low sales prices of CEI and Toledo Edison Common Stock for the periods shown, as well as such high and low prices of CEI Common Stock multiplied by .9 (the fraction of a CEI share that would be equivalent to one share of Holding Company Common Stock) rounded to the nearest ⅛.

	CEI (1 share)		CEI (.9 share)		Toledo Edison	
	High	Low	High	Low	High	Low
1983	23	16⅝	20¾	15	22½	17½
1984	20¼	13¾	18¼	12⅜	18⅞	13⅜
1985 (through September)						

On June 25, 1985 immediately before the public announcement of the Reorganization Agreement, and on June 24, 1985 the last sale prices and the closing sale prices, respectively, of the CEI and Toledo Edison Common Stock were as follows:

	CEI		Toledo Edison
	1 share	.9 shares	1 share
June 25, 1985	22½	20¼	19⅛
June 24, 1985	22½	20¼	19

Recommendation

The Boards of Directors of CEI and Toledo Edison each have unanimously approved the Affiliation and recommend that their respective common stock shareowners vote FOR the proposal to adopt the Reorganization Agreement and the respective Merger Agreement. It is anticipated that all of the directors and executive officers of CEI and Toledo Edison will vote their shares of common stock FOR such proposal. See "Voting, Proxies, Authorizations and Regulatory Approvals."

SUMMARY FINANCIAL INFORMATION

The following tables present selected historical and pro forma combined financial information for CEI and Toledo Edison. The tables should be read in conjunction with the historical and pro forma financial statements and notes thereto included elsewhere in (or incorporated by reference into) this Joint Proxy Statement/Prospectus.

	December 31,					June 30, 1985
	1980	1981	1982	1983	1984	(Unaudited)
CEI — HISTORICAL	(Amounts in millions, except per share data)					
Income Statement Data for the Twelve Months Ended:						
Operating revenue	$ 894	$1,013	$1,109	$1,210	$1,215	$1,235
Total AFUDC	$ 66	$ 83	$ 104	$ 115	$ 172	$ 201
Net income	$ 125	$ 156	$ 209	$ 246	$ 291	$ 304
Earnings per common share	$ 2.26	$ 2.52	$ 3.01	$ 3.28	$ 3.64	$ 3.61
Dividends declared per common share	$ 2.00	$ 2.08	$ 2.19	$ 2.31	$ 2.43	$ 2.52
Balance Sheet Data as of:						
Total assets	$3,094	$3,406	$3,873	$4,267	$4,926	$5,143
Long-term debt	$1,212	$1,328	$1,442	$1,519	$1,884	$2,011
Preferred and preference stock:						
With mandatory redemption provisions	$ 261	$ 325	$ 322	$ 318	$ 293	$ 286
Without mandatory redemption provisions	$ 95	$ 95	$ 95	$ 144	$ 144	$ 144
Common stock equity	$ 913	$1,002	$1,227	$1,355	$1,593	$1,616
Book value per common share	$19.72	$19.63	$19.86	$20.79	$21.51	$21.16

	December 31,					June 30, 1985(2)
	1980	1981	1982	1983	1984	(Unaudited)
TOLEDO EDISON — HISTORICAL	(Amounts in millions, except per share data)					
Income Statement Data for the Twelve Months Ended:						
Operating revenue	$ 402	$ 442	$ 482	$ 504	$ 551	$ 571
Total AFUDC	$ 44	$ 48	$ 72	$ 98	$ 128	$ 146
Net income	$ 67	$ 83(1)	$ 106	$ 128	$ 154	$ 173
Earnings per common share	$ 2.56	$ 2.77(1)	$ 3.18	$ 3.50	$ 3.70	$ 3.82
Dividends declared per common share	$ 2.20	$ 2.30	$ 2.38	$ 2.46	$ 2.52	$ 2.52
Balance Sheet Data as of:						
Total assets	$1,702	$1,870	$2,125	$2,437	$2,865	$3,066
Long-term debt	$ 708	$ 762	$ 876	$ 985	$1,110	$1,192
Preferred and preference stock:						
With mandatory redemption provisions	$ 67	$ 96	$ 95	$ 94	$ 158	$ 154
Without mandatory redemption provisions	$ 150	$ 150	$ 170	$ 200	$ 200	$ 200
Common stock equity	$ 479	$ 550	$ 617	$ 716	$ 814	$ 905
Book value per common share	$23.77	$23.46	$23.53	$24.12	$23.76	$23.79

	December 31,					June 30,
	1980	1981	1982	1983	1984	1985(2)
PRO FORMA — CEI AND TOLEDO EDISON COMBINED (Unaudited)	(Amounts in millions, except per share data)					
Income Statement Data for the Twelve Months Ended:						
Operating revenue	$1,296	$1,455	$1,590	$1,712	$1,764	$1,804
Total AFUDC	$ 110	$ 131	$ 176	$ 213	$ 300	$ 347
Net income	$ 192	$ 239(1)	$ 315	$ 374	$ 445	$ 477
Earnings per common share (3)	$ 2.18	$ 2.41(1)	$ 2.84	$ 3.11	$ 3.41	$ 3.42
Balance Sheet Data as of:						
Total assets	$4,796	$5,273	$5,995	$6,700	$7,785	$8,207
Long-term debt	$1,920	$2,090	$2,318	$2,504	$2,994	$3,203
Preferred and preference stock:						
With mandatory redemption provisions	$ 328	$ 421	$ 417	$ 412	$ 451	$ 440
Without mandatory redemption provisions	$ 245	$ 245	$ 265	$ 344	$ 344	$ 344
Common stock equity	$1,392	$1,552	$1,844	$2,071	$2,407	$2,521
Book value per common share (3)	$19.46	$19.37	$19.45	$20.30	$20.67	$20.53

(1) Excludes extraordinary gain from exchange of Toledo Edison Common Stock for bonds of $11 million, or $.50 per share of Toledo Edison Common Stock or $.15 per share on a pro forma combined basis.

(2) Includes $8.6 million of revenues subject to refund. See "Selected Information Concerning Toledo Edison — Rate Matters."

(3) After adjusting CEI shares by 1.11.

See "Pro Forma Financial Information."

INTRODUCTION

This Joint Proxy Statement/Prospectus is being furnished to the common stock shareowners of CEI and the common stock shareowners of Toledo Edison in connection with the solicitation of proxies by the Board of Directors of CEI from holders of CEI's outstanding shares of common stock, without par value ("CEI Common Stock"), for use at the CEI Special Meeting, and the solicitation of proxies by the Board of Directors of Toledo Edison from holders of Toledo Edison's outstanding shares of common stock, $5.00 par value ("Toledo Edison Common Stock"), for use at the Toledo Edison Special Meeting. The purpose of the CEI Special Meeting and the Toledo Edison Special Meeting is to act upon a proposal to approve the Affiliation of CEI and Toledo Edison. The Affiliation will result in each of the companies becoming a separate subsidiary of a new Ohio corporation, North Holding Company (the "Holding Company"), and the shareowners of CEI and Toledo Edison Common Stock becoming shareowners of common stock of the Holding Company ("Holding Company Common Stock").

The Affiliation is to be effected pursuant to the Agreement and Plan of Reorganization, dated as of June 25, 1985 (the "Reorganization Agreement"), between CEI and Toledo Edison and two related merger agreements: (a) the East Merger Agreement among CEI, the Holding Company and East Merger Company, an Ohio corporation and a wholly-owned subsidiary of the Holding Company; and (b) the West Merger Agreement among Toledo Edison, the Holding Company and West Merger Company, an Ohio corporation and a wholly-owned subsidiary of the Holding Company. A copy of the Reorganization Agreement is attached to this Joint Proxy Statement/Prospectus as Appendix I and the forms of the East Merger Agreement and the West Merger Agreement are included therein as Exhibits A and B thereto, all of which are incorporated herein by reference. The East Merger Agreement and the West Merger Agreement are sometimes referred to herein as the "Merger Agreements."

The Boards of Directors of CEI and Toledo Edison, respectively, know of no business that will be presented for consideration at the CEI Special Meeting or the Toledo Edison Special Meeting other than the matters described in this Joint Proxy Statement/Prospectus. The information contained in this Joint Proxy Statement/Prospectus with respect to CEI has been supplied by CEI and the information contained herein with respect to Toledo Edison has been supplied by Toledo Edison.

VOTING, PROXIES, AUTHORIZATIONS AND REGULATORY MATTERS

The Cleveland Electric Illuminating Company

The Board of Directors of CEI unanimously approved the Affiliation and authorized the execution of the Reorganization Agreement and the East Merger Agreement on June 25, 1985. Only holders of record of shares of CEI Common Stock at the close of business on September 30, 1985 will be entitled to vote at the CEI Special Meeting. Each such share will be entitled to one vote. At the close of business on such date, shares of CEI Common Stock were outstanding. Shares of CEI Common Stock, holders of which are entitled to vote at the CEI Special Meeting and which are represented by properly executed proxies, will, unless such proxies have been revoked, be voted in accordance with the instructions indicated in such proxies. If no contrary instructions are indicated, such shares will be voted for the adoption and approval of the Reorganization Agreement and the East Merger Agreement and will be voted in the discretion of the proxy holders as to any other matter which may properly come before the CEI Special Meeting and as to which such shares are entitled to vote. A shareowner who has given a proxy may revoke it at any time prior to its exercise at such meeting by delivering to the Secretary of CEI a notice of revocation or a duly executed proxy bearing a later date or by attending such meeting and voting in person.

The affirmative vote of the holders of 66⅔% of the outstanding shares of CEI Common Stock is required to approve and adopt the Reorganization Agreement and the East Merger Agreement. Shares owned by participants in the CEI Dividend Reinvestment and Stock Purchase Plan, directly or through a CEI•IRA, will be voted in the same way as such shareowners' shares of record are

voted, or if such participants have no shares of record, as they direct in a proxy or vote them in person. Shares owned by participants in the Investment Program of the CEI Employee Savings Plan will be voted as the participants direct. Information concerning CEI's voting securities and principal holders thereof is hereby incorporated by reference to the CEI Proxy Statement.

In addition to soliciting proxies by mail, directors, officers and employees of CEI, without receiving additional compensation therefor, may solicit proxies by telephone, by telegram or in person. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of shares of CEI Common Stock held of record by such persons, and CEI will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith. CEI has retained to aid in the solicitation of proxies. The fee of such firm is estimated to be $ plus reimbursement for out-of-pocket costs and expenses.

The Toledo Edison Company

The Board of Directors of Toledo Edison unanimously approved the Affiliation and authorized the execution of the Reorganization Agreement and the West Merger Agreement on June 25, 1985. Only holders of record of shares of Toledo Edison Common Stock at the close of business on September 30, 1985 will be entitled to vote at the Toledo Edison Special Meeting. Each such share will be entitled to one vote. At the close of business on such date, shares of Toledo Edison Common Stock were outstanding. Shares of Toledo Edison Common Stock, holders of which are entitled to vote at the Toledo Edison Special Meeting and which are represented by properly executed proxies, will, unless such proxies have been revoked, be voted in accordance with the instructions indicated in such proxies. If no contrary instructions are indicated, such shares will be voted for the adoption and approval of the Reorganization Agreement and the West Merger Agreement and will be voted in the discretion of the proxy holders as to any other matter which may properly come before the Toledo Edison Special Meeting and as to which such shares are entitled to vote. A shareowner who has given a proxy may revoke it at any time prior to its exercise at such meeting by delivering to the Secretary of Toledo Edison a notice of revocation or a duly executed proxy bearing a later date or by attending such meeting and voting in person.

The affirmative vote of holders of 66⅔% of the outstanding shares of Toledo Edison Common Stock is required to approve and adopt the Reorganization Agreement and the West Merger Agreement. Shares owned by participants in the Toledo Edison Dividend Reinvestment and Stock Purchase Plan will be voted in the same way as such shareowners' shares of record are voted. Information concerning Toledo Edison's voting securities and principal holders thereof is hereby incorporated by reference to the Toledo Edison Proxy Statement.

In addition to soliciting proxies by mail, directors, officers and employees of Toledo Edison, without receiving additional compensation therefor, may solicit proxies by telephone, by telegram or in person. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of shares of Toledo Edison Common Stock held of record by such persons, and Toledo Edison will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith. Toledo Edison has retained to aid in the solicitation of proxies. The fee of such firm is estimated to be $ plus reimbursement for out-of-pocket costs and expenses.

Costs of Solicitation and Other Expenses

All costs and expenses incurred in connection with the solicitation of proxies shall be paid by the party incurring such expenses, except that the fees and disbursements of the Holding Company's independent public accountants in connection with the pro forma combined financial statements contained in this Joint Proxy Statement/Prospectus and the printing costs in connection with the Reorganization Agreement, the Merger Agreements and this Joint Proxy Statement/Prospectus will be paid two-thirds by CEI and one-third by Toledo Edison if for any reason the Affiliation is not consummated.

In the event of termination of the Reorganization Agreement or the Merger Agreements, all legal, accounting and filing fees and other costs and expenses incurred by the Holding Company in connection with the Reorganization Agreement and the transactions contemplated thereby will be paid two-thirds by CEI and one-third by Toledo Edison.

Regulatory Matters

Set forth below is a summary, based on advice of counsel for CEI and Toledo Edison, of the regulatory requirements affecting the Affiliation.

Antitrust Considerations

The Affiliation is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations thereunder which provide that certain acquisition transactions (including the Affiliation) may not be consummated until certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the Federal Trade Commission (the "FTC") and certain waiting period requirements have been satisfied. CEI and Toledo Edison filed the required information and material with the Antitrust Division and the FTC on . The waiting periods, unless extended by the Antitrust Division or the FTC by a request for further information, will expire on . The expiration of the waiting periods will not preclude the Antitrust Division or the FTC from challenging the Affiliation on antitrust grounds. Neither CEI nor Toledo Edison believes that the Affiliation will violate Federal antitrust laws.

Public Utility Holding Company Act of 1935

The Affiliation is subject to the approval of the Commission pursuant to the Public Utility Holding Company Act of 1935. CEI and Toledo Edison filed an application on August , 1985 for approval of the Affiliation by the Commission under the Public Utility Holding Company Act of 1935.

Other Regulatory Matters

CEI and Toledo Edison do not believe that there are any other regulatory approvals required in connection with the Affiliation. There have, however, been additional discussions and consultations with certain regulatory bodies. CEI and Toledo Edison have requested an opinion of the General Counsel of the Federal Energy Regulatory Commission to the effect that no approval of the Federal Energy Regulatory Commission regarding the Affiliation is required under the Federal Power Act. Although the Nuclear Regulatory Commission ("NRC") will consider the effects of the Affiliation in connection with the licensing process for the Perry Nuclear Power Plant and Beaver Valley Unit 2 (see "Selected Information Concerning CEI"), no approval by the NRC of the Affiliation, as such, is required. Also, CEI and Toledo Edison are scheduled to meet, on an informal basis, with The Public Utilities Commission of Ohio ("PUCO") on August 13, 1985 to provide the PUCO with information regarding the Affiliation and to answer any questions the PUCO may have in that connection.

THE AFFILIATION

General

The information contained in this Joint Proxy Statement/Prospectus with respect to the Affiliation is qualified in its entirety by reference to the Reorganization Agreement (Appendix I), the East Merger Agreement (Exhibit A to the Reorganization Agreement), the West Merger Agreement (Exhibit B to the Reorganization Agreement), the North Holding Company Articles of Incorporation (Exhibit C to the Reorganization Agreement) and the Holding Company Regulations (Exhibit D to the Reorganization Agreement).

The Mergers

In order to effect the Affiliation, CEI and Toledo Edison have formed the Holding Company and have caused the Holding Company to form East Merger Company and West Merger Company. The Affiliation will be effected by the simultaneous mergers of East Merger Company into CEI and of West Merger Company into Toledo Edison. CEI and Toledo Edison will be the surviving corporations in such mergers. The mergers will become effective upon the filing by the constituent corporations with the Secretary of State of Ohio of certificates of merger duly executed in accordance with Section 1701.81(A) of the Ohio Revised Code, together with executed counterparts of the Merger Agreements or conformed copies thereof (the "Effective Time"). At the Effective Time, pursuant to the East Merger Agreement, each share of CEI Common Stock outstanding immediately prior to the Effective Time (other than shares held by shareowners who properly exercise their dissenters' rights) will be converted into 1.11 shares of Holding Company Common Stock, without par value ("Holding Company Common Stock"). At the Effective Time, pursuant to the West Merger Agreement, each share of Toledo Edison Common Stock outstanding immediately prior to the Effective Time (other than shares held by shareowners who properly exercise their dissenters' rights) will be converted into one share of Holding Company Common Stock.

No fractional shares of Holding Company Common Stock will be issued, but shareowners who would otherwise be entitled to receive fractional shares will receive cash in lieu thereof (except participants in the dividend reinvestment plans of CEI and Toledo Edison).

All shares of Serial Preferred Stock and Serial Preference Stock of CEI and all shares of Cumulative Preferred Stock and Cumulative Preference Stock of Toledo Edison outstanding immediately prior to the Effective Time will remain outstanding, as such, following the Effective Time.

Reasons for the Affiliation

Developments in the electric utility industry over the last two decades, particularly in the areas of construction and operation of nuclear generating units, in which CEI and Toledo Edison are heavily engaged, warrant the creation of an electric utility system larger than either CEI or Toledo Edison. The installation of large capacity generating and transmission facilities requires huge investments to realize the benefits of expected economies of scale. Nuclear generating units require adherence to very exacting construction, operating and maintenance standards. Regulation in almost every area of the electric utility business has greatly multiplied resulting in very large compliance costs. Energy conservation growing out of the energy crisis of the mid-1970's has significantly reduced load growth expectations. Inflation has escalated costs. Utilities are experiencing consumer opposition to higher electric rates prompted by these developments.

CEI and Toledo Edison developed their existing relationships as members of the Central Area Power Coordination Group (the "CAPCO Group") during the period in which these changes have been occurring, in part as an effort to meet the challenges of continuing reliable service to customers at reasonable cost and providing a sound investment for investors in the face of these changes. See "Relationships Between CEI and Toledo Edison." These relationships have not included unification of capital and management.

The Boards of Directors and managements of CEI and Toledo Edison believe that the added capabilities afforded by the Affiliation are necessary to achieve additional benefits which their existing relationships can not provide. These capabilities will be derived from the pooling of common stock equity, management, manpower and technical expertise and the increased coordination of the use of their facilities, all under unified management. In particular, it is expected that this pooling and coordination will enable the affiliated companies to achieve over the long term the following benefits:

1. Improved and more effective planning, management and operation of the two companies, including the construction, operation and maintenance of their nuclear generating units, through the marshalling and efficient allocation of manpower, experience and expertise.

2. Savings and efficiencies resulting from consolidation, through a service company or otherwise, of similar functions of the two companies, such as planning, financing, engineering, legal, purchasing, management information systems and administration.

3. Implementation of an equitable program of capacity rationalization designed to be mutually advantageous to the customers of both utility companies as described under "The Affiliation — Operations of the Holding Company, CEI and Toledo Edison."

4. Reduced requirements for future additions to generating capacity, as well as operating savings, resulting from the joint economic dispatch of electricity and better integrated operation and coordinated maintenance of generating facilities.

5. Improved ability to utilize developing technologies and comply with environmental regulations.

6. Increased stability of industrial sales due to the greater diversity of the combined industrial customers of the two companies. CEI serves steel and chemical companies, and Toledo Edison serves oil refineries and glass companies. Both utilities serve the automobile, auto parts and diverse other industries.

7. Increased financial stability and strength of the affiliated companies.

8. Better capability to take advantage of opportunities in the wholesale market for the sale and purchase of electricity.

In determining the exchange ratios, the Board of Directors of both CEI and Toledo Edison considered, in addition to the foregoing, the following factors, among others: the earnings and dividend record, financial condition, business, assets and management of each company, recent market prices of each company's common stock and the advice of Morgan Stanley & Co. Incorporated ("Morgan Stanley"), in the case of CEI, and Merrill Lynch Capital Markets, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), in the case of Toledo Edison. The exchange ratios were arrived at through negotiations between CEI and Toledo Edison in which Morgan Stanley and Merrill Lynch participated.

The Boards of Directors of CEI and Toledo Edison believe the Affiliation and the exchange ratios are fair to and in the best interests of their respective shareowners and each unanimously recommends that its common stock shareowners vote FOR the Affiliation.

Opinions of Financial Advisors

The Board of Directors of CEI, on the recommendation of the management of CEI, retained Morgan Stanley to act as its financial advisor in connection with a possible affiliation with Toledo Edison. Morgan Stanley assisted CEI and participated in the negotiations with respect to the Affiliation. Morgan Stanley has delivered a written opinion to the Board of Directors of CEI that the exchange ratios provided for in the Reorganization Agreement and the Merger Agreements are fair, from a financial point of view, to the shareowners of CEI Common Stock. The written opinion of Morgan Stanley is set forth in its entirety in Appendix II to this Joint Proxy Statement/Prospectus. CEI has agreed to pay Morgan Stanley an initial fee based on time and efforts, currently estimated not to exceed $350,000, in connection with its services as financial advisor. Such fee will be increased to an amount (not to exceed $3.75 million) based on the fair market value of securities involved in the Affiliation if the Affiliation is consummated. CEI also has agreed to reimburse Morgan Stanley for its out-of-pocket expenses and legal fees and to indemnify Morgan Stanley against certain liabilities and expenses, including liabilities under Federal securities laws.

The Board of Directors of Toledo Edison, on the recommendation of the management of Toledo Edison, retained Merrill Lynch to act as its financial advisor in connection with a possible affiliation with CEI. Merrill Lynch assisted Toledo Edison and participated in the negotiations with respect to the Affiliation. Merrill Lynch has delivered a written opinion to the Board of Directors of Toledo Edison that the exchange ratios provided for in the Reorganization Agreement and the Merger Agreements are fair, from a financial point of view, to the shareowners of Toledo Edison Common Stock. The written opinion of Merrill Lynch is set forth in its entirety in Appendix III to this Joint

Proxy Statement/Prospectus. Toledo Edison has agreed to pay Merrill Lynch an initial fee of $250,000 in connection with its services as financial advisor. If the Affiliation is consummated, Merrill Lynch will be paid a fee (which will not exceed $, based upon an assumed fair market value for Holding Company Common Stock of $ per share), equal to .35% of the fair market value of the Holding Company Common Stock issued to the shareowners of Toledo Edison, less the initial fee of $250,000. Toledo Edison also has agreed to reimburse Merrill Lynch for its out-of-pocket expenses and legal fees and to indemnify Merrill Lynch against certain liabilities and expenses, including liabilities under Federal securities laws.

As set forth in Appendices II and III, Morgan Stanley and Merrill Lynch relied on the accuracy and completeness of the financial and other information provided to them by CEI and Toledo Edison, respectively. They did not independently seek to verify such information nor did they make an independent evaluation of the assets of either CEI or Toledo Edison. No limitations were imposed with respect to the opinions rendered by Morgan Stanley and Merrill Lynch, who were instructed to evaluate the fairness of the terms of the merger transaction from a financial point of view.

Since June 30, 1983, Morgan Stanley has acted as manager, underwriter or agent in connection with the sale of securities of CEI and received discounts and commissions aggregating $ and as financial advisor for certain corporate matters for which they were paid $. Since June 30, 1983, Merrill Lynch has acted as underwriter in connection with the sale of securities of CEI and received discounts and commissions aggregating $.

Since June 30, 1983, Morgan Stanley has acted as underwriter or agent in connection with the sale of securities of Toledo Edison and received discounts and commissions aggregating $ and Merrill Lynch has acted as manager, underwriter or agent in connection with the sale of securities of Toledo Edison and received discounts and commissions aggregating $. Merrill Lynch was also paid $250,000 for services as Toledo Edison's financial advisor in 1985 prior to commencement of negotiations with respect to the Affiliation.

Holding Company Articles of Incorporation, Regulations and Common Stock

As of the Effective Time, the Holding Company's authorized capital stock will consist of 150,000,000 shares of Holding Company Common Stock, without par value, and 5,000,000 shares of Holding Company Serial Preferred Stock, without par value ("Preferred Shares"). There are no current plans for issuance of any Preferred Shares.

All Holding Company Common Stock issuable in the Affiliation will, when issued, be fully paid and nonassessable. Each share of Holding Company Common Stock will be equal to every other share. The holders of Holding Company Common Stock will be entitled to one vote for each share of such stock upon all matters presented to the shareowners, including the election of directors. A procedure for invoking cumulative voting for the election of directors is provided for by Ohio statutory law. The Articles of Incorporation of the Holding Company provide for, where permitted by law, a majority vote of certain security holders to take action which, but for the Articles of Incorporation of the Holding Company, would require the vote of more than a majority of such security holders.

Subject to prior rights of any Preferred Shares which might be issued, each share of Holding Company Common Stock entitles the holder thereof to equal participation in any dividends which the Holding Company Board of Directors may declare and in the assets of the Holding Company upon liquidation. No holder of any class of Holding Company shares has any pre-emptive right to purchase or subscribe to any shares of any class of stock of the Holding Company. Holding Company Common Stock is not subject to provisions relating to sinking funds, redemption, terms of conversion or restrictions on alienability.

The Holding Company may, by action of its Board of Directors and to the extent not prohibited by law, purchase outstanding shares of any class of Holding Company shares.

Section 4(d) of the Articles of Incorporation of the Holding Company requires, under certain circumstances, the affirmative vote of the holders of at least a majority of Preferred Shares at the time outstanding for (i) the conveyance of all or substantially all of the property or business of the Holding

Company or its merger into any other corporation or (ii) the authorization of any shares ranking on parity with the Preferred Shares or an increase in the authorized number of Preferred Shares.

The number of authorized shares of Holding Company Common Stock is approximately 17,500,000 shares more than the number of shares thereof to be issued to CEI and Toledo Edison shareowners in the Affiliation and to be reserved for issuance pursuant to the exercise of options and other rights with respect to shares of Holding Company Common Stock by persons, who as of , 1985, held rights with respect to Common Stock of CEI or Toledo Edison under employee savings, thrift, stock option, incentive compensation and benefit plans.

There are no present plans, arrangements or agreements for the use of any of the excess authorized shares of Holding Company Common Stock or Preferred Shares, other than in connection with existing or possible future employee savings, thrift, stock option, incentive compensation and benefit plans and shareowner and customer stock purchase or dividend reinvestment plans of the Holding Company, CEI or Toledo Edison. However, it is anticipated that the future common stock equity capital requirements of CEI and Toledo Edison also will be met through the issuance and sale of Holding Company Common Stock.

Comparison of Corporate Charters and Rights of Security Holders

The following comparison of corporate charters and rights of security holders does not purport to be complete and is qualified in its entirety by reference to the Amended Articles of Incorporation of CEI and Toledo Edison, as amended, which are incorporated herein by reference to the CEI Form 10-K and the Toledo Edison Form 10-K, respectively.

The stated purpose for which the Holding Company is formed is significantly broader than the stated purposes for the formation of CEI or Toledo Edison.

The Articles of Incorporation of the Holding Company state that the purpose for which the Holding Company is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code, as now in effect or hereafter amended. Although the Amended Articles of Incorporation of CEI and Toledo Edison contain specific clauses relating to the purposes for which they are formed, including their current utility businesses, the powers set forth in their respective Amended Articles are sufficiently broad to enable them to engage in substantially all the activities permitted by the Articles of Incorporation of the Holding Company.

The Board of Directors of the Holding Company possesses rights and powers with respect to Preferred Shares of the Holding Company which are similar to (i) the rights and powers of the Board of Directors of CEI with respect to the unissued Serial Preferred Stock and the unissued Serial Preference Stock of CEI and (ii) the rights and powers of the Board of Directors of Toledo Edison with respect to the unissued Cumulative Preferred Stock and the unissued Cumulative Preference Stock of Toledo Edison.

Certain major corporate actions (such as mergers) which require the affirmative vote of two-thirds of the outstanding voting shares for approval pursuant to the corporate charters of CEI and Toledo Edison will require the approval of only a majority of the outstanding voting shares of the Holding Company. In addition, the voting rights of the Preferred Shares are available in fewer circumstances than those of the preferred shares of CEI or Toledo Edison.

The Holding Company currently has no specific plans with respect to the issuance of Preferred Shares and no Preferred Shares are currently outstanding.

Management of the Holding Company, CEI and Toledo Edison

The Board of Directors of the Holding Company currently consists of John P. Williamson, Robert M. Ginn and Richard A. Miller. Under the Reorganization Agreement, the Board of Directors of the Holding Company at the Effective Time will consist of the following 12 persons (or persons

substituted for them) designated by CEI and Toledo Edison to hold office until their successors are elected. Information concerning the positions currently held by such persons and their activities during the previous five years is set forth below. The party which has designated the directors and officers of the Holding Company is shown in parentheses immediately following the individual's position with the Holding Company. Prior to the Effective Time, CEI and Toledo Edison may substitute another person (in the case of an officer, another officer of such party; and in the case of an outside director, another person who is not a present or retired officer of such party) for any such person designated by it.

JOHN P. WILLIAMSON, age 63 — Chairman of the Board and Director (Toledo Edison). Mr. Williamson has been Chief Executive Officer of Toledo Edison since July 1, 1974 and Chairman of the Board since April 1979. Prior to April 1979, Mr. Williamson was President of Toledo Edison. He serves as a director of The Toledo Trust Company, The Ohio Valley Electric Company and Nuclear Electric Insurance, Ltd.

ROBERT M. GINN, age 61 — President, Chief Executive Officer and Director (CEI). Mr. Ginn has been Chairman and Chief Executive Officer of CEI since September 1983. Previously Mr. Ginn was President of CEI with the responsibility of Chief Executive Officer. He serves as a director of Ferro Corporation, Society Corporation and Society National Bank.

RICHARD A. MILLER, age 58 — Executive Vice President and Director (CEI). Mr. Miller has been President of CEI since September 1983. Previously Mr. Miller was Executive Vice President of CEI. Mr. Miller serves on the Board of Directors of Bank One, Cleveland, N.A. and The Lubrizol Corporation.

SAMUEL G. CARSON, age 71 — Director (Toledo Edison). Mr. Carson is Director Emeritus of The Toledo Trust Company (a commercial bank). Previously Mr. Carson was the President and Chairman of the Board of that company. He is a director of the Bostwick-Braun Company and the Lathrop Company.

LEIGH CARTER, age 59 — Director (CEI). Mr. Carter has been Vice Chairman of the Board and Operating Officer since August 1984 of The BFGoodrich Company, (a producer of rubber, tires, chemicals and plastics). Previously Mr. Carter was President — Engineered Products Group and Executive Vice President of that company. He is also Chairman of Tremco, Incorporated, (manufacturer of specialty chemical products), a wholly owned subsidiary of that company. He serves as a trustee of First Union Real Estate Equity & Mortgage Investments and as a director of Adams Express Company.

CHESTER DEVENOW, age 66 — Director (Toledo Edison). Mr. Devenow is currently Chairman and Chief Executive Officer of the Sheller-Globe Corporation (a manufacturer of automotive parts and assemblies, electrical equipment, office products and radiation and environmental monitoring equipment). Mr. Devenow is also a director of The Toledo Trust Company and its parent company, Toledo Trustcorp, Inc.

EDWIN D. DODD, age 65 — Director (Toledo Edison). Mr. Dodd is currently Director, Consultant and Chairman Emeritus of Owens-Illinois, Inc. (a manufacturer of glass, plastic, paper and glass ceramic products). He is also a director of Goodyear Tire and Rubber Company, Ohio Bell Telephone Company and The Toledo Trust Company and its parent company, Toledo Trustcorp, Inc.

ROY H. HOLDT, age 64 — Director (CEI). Mr. Holdt is Chairman and Chief Executive Officer of White Consolidated Industries, Inc., (a manufacturer of products for the home, principally major appliances, and machinery and equipment for industry). Mr. Holdt also is on the Board of Directors of LTV Corp., AmeriTrust Corp., AmeriTrust Company National Association and Midland-Ross Corporation.

CHARLES E. SPAHR, age 71 — Director (CEI). Mr. Spahr is the retired Chairman and Chief Executive Officer of The Standard Oil Company (Ohio) (a manufacturer of petroleum products, chemicals, plastics and metals and supplier of coal). Mr. Spahr serves on the Board of Directors of TRW, Inc. and is Chairman and a member of the Board of Directors of Overseas Capital, Inc.

ALLAN J. TOMLINSON, JR., age 52 — Director (CEI). Mr. Tomlinson has been Chairman, President and Chief Executive Officer since July 1983 of SDS Biotech Corporation (a developer of new technologies and products in the field of biotechnology). Previously Mr. Tomlinson was President and Chief Operating Officer of Diamond Shamrock Corporation.

RICHARD B. TULLIS, age 71 — Director (CEI). Mr. Tullis is currently a director and Chairman of the Executive Committee of Harris Corporation (a manufacturer of communication and information processing equipment). He serves on the Board of Directors of Gencorp, Inc. and Yale Materials Handling Corporation and is a trustee of First Union Real Estate Equity & Mortgage Investments.

WILLIAM J. WILLIAMS, age 56 — Director (CEI). Mr. Williams has been a director and President of the Northeast Ohio region of Huntington National Bank (a commercial bank) and a director and Executive Vice President of its parent company, Huntington Bancshares Incorporated, since February 1985. Mr. Williams was Senior Vice President of LTV Corporation (a diversified operating company involved in steel, aerospace/defense and energy products) from July 1984 until December 1984. Previously Mr. Williams was a director, President, Chief Operating Officer and Vice Chairman of Republic Steel Corporation (a manufacturer of steel and steel products).

In addition to Mr. Williamson as Chairman, Mr. Ginn as President and Chief Executive Officer and Mr. Miller as Executive Vice President, Paul M. Smart, age 56, is Secretary and Treasurer of the Holding Company (having been designated as such by CEI and Toledo Edison). Mr. Smart, a director of Toledo Edison since 1984, became the President of Toledo Edison in July 1985. Previously Mr. Smart was Senior Vice President, Corporate Development and General Counsel of Toledo Edison and, prior to January 16, 1984, he was a partner in the Toledo law firm of Fuller & Henry.

Additional information regarding directors and executive officers of the Holding Company, CEI and Toledo Edison, including their compensation and certain relationships and related transactions, is hereby incorporated by reference to the CEI Proxy Statement and the Toledo Edison Proxy Statement.

Interest of Certain Persons

Roy H. Holdt is currently a director of CEI and has been named as a director of the Holding Company. In 1984, CEI purchased various materials and replacement parts for $267,768 from certain divisions of White Consolidated Industries, Inc., of which Mr. Holdt is Chairman and Chief Executive Officer. Some of these purchases were made by CEI through its competitive bid practices. Similar purchases may be made by CEI in the future and may also be made by Toledo Edison and the Holding Company.

Richard P. Anderson, Chester Devenow, Edwin D. Dodd, Willard I. Webb, III, John P. Williamson and Robert J. Wingerter are all currently directors of Toledo Edison. Mr. Williamson has been named Chairman of the Board of the Holding Company. Mr. Devenow has been named as a Director of the Holding Company. A portion of Toledo Edison's lines of credit are maintained with The Toledo Trust Company, of which Messrs. Anderson, Devenow, Dodd, Williamson and Wingerter are Directors; Ohio Citizens Bank, of which Mr. Webb is Chairman of the Board and a Director; and National City Bank which, along with Ohio Citizens Bank, are affiliates of National City Corporation, of which Mr. Webb is also a Director. These lines of credit provide for loans to be obtained at the prime commercial rates of the lending banks in effect at the time of borrowing and on terms which are no less favorable to Toledo Edison than could be obtained elsewhere. During 1984, interest paid to The Toledo Trust Company, Ohio Citizens Bank and National City Bank under these lines was $370,370, $143,315 and $252,288, respectively. The Toledo Trust Company is Trustee of Toledo Edison's Retirement Income Plan and serves as Transfer Agent and Registrar, Dividend Disbursement Agent and Dividend Reinvestment Agent for Toledo Edison and received $340,744 as its compensation for services in those capacities in 1984. Ohio Citizens Bank is Trustee of both Toledo Edison's Savings Incentive Plan and its Employee Stock Ownership Plan, for which it received 1984 compensation of $24,464 and $668, respectively.

Mr. Smart, currently a director and the President of Toledo Edison and the Secretary and Treasurer of the Holding Company was a partner in the Toledo law firm of Fuller & Henry until

January 16, 1984. Fuller & Henry has acted and continues to act as counsel for Toledo Edison. The firm received $657,739 in gross fees during 1984 for such services. Although Mr. Smart withdrew from the firm, as a withdrawing partner under the firm's partnership agreement, he was entitled to a share of the firm's profits through December 31, 1984. His share of 1984 Toledo Edison fees before deduction of firm expenses was $37,820. All services and billings by Fuller & Henry were subject to the approval of the other officers of Toledo Edison responsible for directing the services being performed.

Under the Reorganization Agreement, the Holding Company, as of the Effective Time, is required to assume any employment agreement of CEI and Toledo Edison with their executive officers. This provision will result in Toledo Edison's existing agreements with John P. Williamson, Paul M. Smart and Williams R&D Associates, Inc. ("WRDA") being assumed by the Holding Company as of the Effective Time. The descriptions of Mr. Williamson's and Mr. Smart's employment agreements contained in the Toledo Edison Proxy Statement are incorporated herein by reference. Toledo Edison's agreement with WRDA provides that WRDA will furnish the services of a senior nuclear manager to Toledo Edison to be in charge of its nuclear mission, subject to the direction and control of Toledo Edison's Chief Executive Officer and the policies of its Board of Directors. In June 1985, Mr. Joe Williams, Jr. was designated Toledo Edison's Senior Vice President for Nuclear Operations pursuant to this agreement. Mr. Williams is the principal shareholder of WRDA. Toledo Edison's agreement with WRDA is for a period from July 1, 1985, through December 31, 1986, subject to earlier termination by Toledo Edison. WRDA will be paid a fee of $1,100 per day for senior nuclear management services which shall be for no less than 338 days nor more than 390 days during the term on the contract. The agreement also calls for Toledo Edison to reimburse WRDA for certain per diem, moving and travel expenses but no other Toledo Edison management benefits are to be provided.

Operations of the Holding Company, CEI and Toledo Edison

The Holding Company structure will largely preserve the autonomy of both companies in their day-to-day operations. Both entities will continue in existence, will continue to service their existing territory and customers, will basically retain their same employees and management structure and will maintain their own, existing relationships with regulatory agencies. However, several functions which are now separately performed by each of the operating companies will be centralized and consolidated in either the Holding Company or a service company to be formed as a wholly-owned subsidiary of the Holding Company. The specific functions, and the manner in which they may be centralized and consolidated, are currently under consideration and may include, among others, some or all of the functions described in item 2 in "The Affiliation — Reasons for the Affiliation."

CEI and Toledo Edison have agreed that they will mutually develop, as soon as practicable and no later than the Effective Time, an equitable program of generating capacity rationalization and joint economic distribution of electricity which will be implemented forthwith upon consummation of the Affiliation. Such program will be designed to be mutually advantageous to the customers of both CEI and Toledo Edison and to assure to the extent achievable that: the relative generating capacity responsibilities of both parties will be in substantial balance as to the total system capability in relationship to forecasted loads and as to the types of generation involved; financial parity will be achieved between the parties as to generating capacity costs per unit of sales; and the lowest cost energy available on the combined systems will be available for all customers of both parties at all times.

Dividends on Holding Company Common Stock

It is anticipated that the Holding Company will initially pay quarterly cash dividends of 64 cents per share of Holding Company Common Stock (or $2.56 per year). However, no such dividend has been declared and the payment of dividends will be a business decision to be made by the Board of Directors of the Holding Company from time to time based upon the results of operations and

financial condition of the Holding Company and its subsidiaries and such other business considerations as the Board of Directors of the Holding Company considers relevant.

The current quarterly cash dividends on CEI Common Stock and on Toledo Edison Common Stock are each 63 cents per share (or $2.52 per year).

Interim Dividends

Under the terms of the Reorganization Agreement, prior to the Effective Time, CEI and Toledo Edison are permitted to continue to pay their current quarterly cash dividend on common stock and preferred or preference stock and, in the case of CEI only, to increase its current quarterly cash dividend on its common stock by an amount not in excess of three cents per share.

Securities Exchange Listing of Holding Company Common Stock

The Holding Company will apply for a listing of Holding Company Common Stock on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange. CEI Common Stock and Toledo Edison Common Stock are presently listed on those exchanges. In addition, Toledo Edison preferred stock is listed on the American Stock Exchange. Listing on the New York Stock Exchange of the Holding Company Common Stock issuable in connection with the Affiliation, subject to notice of issuance, is a condition precedent to the consummation of the Affiliation.

Tax Consequences

It is a condition precedent to CEI's and Toledo Edison's obligations to consummate the Affiliation that they receive from the Internal Revenue Service rulings substantially to the effect that:

1. For Federal income tax purposes, the formation of East Merger Company and West Merger Company and their merger into CEI and Toledo Edison, respectively, will be treated as a transfer of the CEI Common Stock and Toledo Edison Common Stock by the holders thereof to the Holding Company in exchange for Holding Company Common Stock representing control of the Holding Company;
2. No gain or loss will be recognized by the holders of CEI Common Stock and Toledo Edison Common Stock upon the transfer of their shares to the Holding Company in exchange for Holding Company Common Stock; and
3. No gain or loss will be recognized by the Holding Company upon the receipt of the CEI Common Stock and the Toledo Edison Common Stock in exchange for Holding Company Common Stock.

As the result of the Affiliation's qualification as a tax-free exchange for Federal income tax purposes, the total Federal income tax basis of each shareowner of either CEI Common Stock or Toledo Edison Common Stock surrendered in exchange for Holding Company Common Stock will become the shareowner's aggregate basis in all Holding Company Common Stock which the shareowner receives in exchange therefor as a result of the Affiliation. It is anticipated that such tax basis will be apportioned among all such shares of Holding Company Common Stock he or she receives, including fractional share interests. Gain or loss, if any, realized by a CEI or Toledo Edison shareowner who receives cash in lieu of a fractional share interest in Holding Company Common Stock will be recognized by such shareowner, and it is anticipated that such gain or loss will be measured by the difference between the amount of cash received in lieu of such fractional share interest and the amount of the shareowner's adjusted basis allocated to the fractional share interest as described above.

CEI and Toledo Edison shareowners are urged to consult their own tax advisors to determine the particular tax consequences to them of the Affiliation, including the application and effect of state, local and other tax laws.

The common stock of both CEI and Toledo Edison have to date been exempt from existing Pennsylvania personal property taxes as a result of taxes paid by each company on activities of each in Pennsylvania. It is not anticipated that the Holding Company will engage in such activities or that the Holding Company Common Stock will be exempt from Pennsylvania personal property taxes.

Accounting Treatment

The parties intend to account for the Affiliation of CEI and Toledo Edison on a pooling of interests basis under generally accepted accounting principles. Arthur Andersen & Co., who are the independent public accountants for Toledo Edison and have been selected as the independent public accountants for the Holding Company, have concurred in the selection of such accounting treatment for this Affiliation. Under pooling of interests accounting, the combination of the ownership interest of the two companies is recognized and therefore recorded assets and liabilities of the companies are carried forward at existing amounts to the combined consolidated financial statements. Reported income of the separate companies for prior periods will be combined and restated as income of the combined consolidated entity. Representatives of Arthur Andersen & Co. are expected to be present at the CEI Special Meeting and the Toledo Edison Special Meeting and to be available to respond to questions.

Other Terms

In addition to approval and adoption of the Affiliation by the shareowners of CEI and Toledo Edison Common Stock and receipt of the regulatory approvals referred to above on conditions that are not unreasonable or unduly burdensome from an economic standpoint, the obligations of the parties to consummate the Affiliation are subject to certain conditions, including (i) the absence of a stop order with respect to the Registration Statement of which this Joint Proxy Statement/Prospectus is a part, (ii) the continuing correctness of representations and warranties made by CEI and Toledo Edison, (iii) the delivery of certain certificates, legal opinions and accountants' letters to each of CEI and Toledo Edison, (iv) the approval for listing on the New York Stock Exchange of the Holding Company Common Stock, subject to notice of issuance, (v) the holders of not more than five percent (5%) of the outstanding shares of either CEI or Toledo Edison Common Stock entitled to vote on the Affiliation shall, at the Effective Time, be entitled to assert statutory dissenters' rights under Ohio law, (vi) the receipt of fairness opinions from financial advisors for each of CEI and Toledo Edison, (vii) the absence of any order restraining, enjoining or prohibiting the consummation of the transactions contemplated by the Reorganization Agreement and (viii) the absence of material adverse changes with respect to the financial condition, results of operations, business or property of CEI and Toledo Edison.

CEI and Toledo Edison may waive compliance with any of the conditions to the consummation of the Affiliation to the extent that the waiving party is entitled to the benefits thereof and consummate the Affiliation without another vote of the shareowners of such party.

CEI and Toledo Edison may amend the Reorganization Agreement or the Merger Agreements prior to the Effective Time, although restrictions are imposed by Section 13.7 of the Reorganization Agreement on the ability to make amendments after a favorable vote by the shareowners of either party.

The Reorganization Agreement and the Merger Agreements may be terminated and the Affiliation may be abandoned at any time prior to the consummation of the Affiliation in the following circumstances: (a) by the mutual consent of the Boards of Directors of CEI and Toledo Edison; (b) by the Board of Directors of either CEI or Toledo Edison, if the transactions contemplated by the Reorganization Agreement shall not have been consummated on or prior to March 15, 1986 or (c) by the Board of Directors of either CEI or Toledo Edison, if a condition to the obligation of such party to consummate the transactions cannot in their reasonable judgment be satisfied on or prior to March 15, 1986.

Dissenters' Rights

The following summary of dissenters' rights does not purport to be complete and is qualified in its entirety by reference to Sections 1701.84 and 1701.85 of the Ohio Revised Code, the text of which sections, as amended, is attached hereto as Appendix IV.

Any record holder of CEI or Toledo Edison Common Stock as of the close of business on September 30, 1985 (the "Record Date") whose shares are not voted in favor of the adoption and

approval of the Reorganization Agreement and the respective Merger Agreement is entitled, if the transactions contemplated by the Reorganization Agreement and the Merger Agreements are consummated, to be paid the fair cash value of such shares held by him or her on the Record Date, provided the shareowner serves a written demand upon the issuer of such shares not later than ten days after the date on which the vote on the Reorganization Agreement and the Merger Agreements was taken at the CEI and Toledo Edison Special Meetings and provided the shareowner otherwise complies with Section 1701.85 of the Ohio Revised Code. Failure to vote does not constitute a waiver of dissenters' rights. Any written demand must specify the shareowner's name and address, the number of shares of common stock of CEI and/or Toledo Edison held by the shareowner on the Record Date as to which he or she seeks relief and the amount claimed by the shareowner as the fair cash value of such shares.

If CEI or Toledo Edison and any of their demanding shareowners cannot agree on the fair cash value of his or her shares, either the demanding shareowner or the issuer of such shares may, within three months after the service of the demand by the shareowner, file a petition for a determination of the fair cash value of the shares in the Court of Common Pleas of Cuyahoga County, at Cleveland, Ohio with respect to CEI Common Stock or the Court of Common Pleas of Lucas County, at Toledo, Ohio with respect to Toledo Edison Common Stock. Fair cash value is determined as of the day prior to that on which the shareowner vote on the Reorganization Agreement and the Merger Agreements was taken and excludes any appreciation or depreciation resulting from the Reorganization Agreement and the Merger Agreements.

Voting against, or a direction on the accompanying Proxy to vote against, the approval and adoption of the Reorganization Agreement and the Merger Agreement will not constitute a written demand, as required by Section 1701.85 of the Ohio Revised Code.

The right of any dissenting shareowner to be paid the fair cash value of his or her shares will terminate if: (i) for any reason, the transactions contemplated by the Reorganization Agreement and the Merger Agreements are not consummated; (ii) the shareowner fails to serve an appropriate timely written demand upon the issuer; (iii) the shareowner does not, upon request of the issuer, timely surrender his or her certificates for an endorsement thereon of a legend to the effect that demand for the fair cash value of such shares has been made; (iv) the demand is withdrawn by the shareowner, with the consent of the directors of the issuer; or (v) the issuer and the shareowner shall not have come to an agreement as to the fair cash value per share, and neither shall have timely filed a petition in the appropriate court for a determination of the fair cash value of the shares.

Neither CEI nor Toledo Edison presently intends to send any further notice to its shareowners as to the date on which the vote on the Reorganization Agreement and the Merger Agreements is to be taken. See the text of Sections 1701.84 and 1701.85 of the Ohio Revised Code attached hereto as Appendix IV for provisions relating to the method and procedures of demanding and determining the fair cash value of shares, the assessment or apportionment of costs of any appraisal proceeding and the suspension of shareowner rights from the time of giving the demand.

Exchange of Certificates

Each share of Holding Company Common Stock into which shares of CEI Common Stock or Toledo Edison Common Stock are converted pursuant to the Affiliation will be deemed to have been issued at the Effective Time. At the Effective Time, holders of certificates formerly representing CEI or Toledo Edison Common Stock which are so converted into Holding Company Common Stock will cease to have any rights as shareowners of CEI or Toledo Edison (as the case may be), except as otherwise provided by law, and will be entitled only to exercise the rights of holders of shares of the Holding Company Common Stock or, alternatively, to receive cash for their shares pursuant to the exercise of dissenters' rights. Shareowners of CEI or Toledo Edison Common Stock will be asked to exchange their stock certificates for Holding Company Common Stock certificates. After the Effective Time, the Holding Company will mail a letter of transmittal (the "Letter of Transmittal") to holders of CEI and Toledo Edison Common Stock for use in submitting their stock certificates in exchange for certificates representing shares of the Holding Company Common Stock. Shareowners

of CEI and Toledo Edison Common Stock should not submit their stock certificates until they have received the Letter of Transmittal. Former holders of CEI or Toledo Edison Common Stock will be entitled to receive all dividends and other distributions which may be declared or payable to holders of record of Holding Company Common Stock following the Effective Time and to exercise all other rights of a Holding Company Common Stock shareowner after the Effective Time.

PRO FORMA FINANCIAL INFORMATION

(Unaudited)

The following pro forma condensed balance sheets and income statements give effect to the Reorganization Agreement described elsewhere in this Joint Proxy Statement/Prospectus. These statements assume that the Affiliation will be accounted for as a pooling of interests.

These condensed statements combine CEI's and Toledo Edison's historical balance sheets at June 30, 1985 and December 31, 1984 and their historical income statements for the 12 months ended June 30, 1985 and each of the three years ended December 31, 1984.

The following pro forma data is not necessarily indicative of the results of operations or the financial condition which would actually have been reported had the Affiliation been in effect during those periods or which may be reported in the future. The statements should be read in conjunction with the accompanying notes and with the respective historical consolidated financial statements and notes thereto of CEI and Toledo Edison which have been incorporated by reference in this Joint Proxy Statement/Prospectus.

COMBINED PRO FORMA CONDENSED BALANCE SHEETS OF CEI AND TOLEDO EDISON

(Unaudited)

(Millions of Dollars)

	At June 30, 1985				At December 31, 1984			
	Historical				Historical			
	CEI	Toledo Edison	Adjustments	Pro Forma Totals	CEI	Toledo Edison	Adjustments	Pro Forma Totals
Assets								
Property and Plant	$5,418	$3,104	$ —	$8,522	$5,118	$2,911	$ —	$8,029
Less Accumulated Provision for Depreciation	840	378	—	1,218	799	365	—	1,164
Current Assets	409	253	(2)(A) 10 (C)	670	461	214	(6)(A) 21 (C)	690
Other Assets	156	87	(10)(C)	233	146	105	(21)(C)	230
Total Assets	$5,143	$3,066	$ (2)	$8,207	$4,926	$2,865	$ (6)	$7,785
Capitalization and Liabilities								
Capitalization:								
Long-term debt	$2,011	$1,192	$ —	$3,203	$1,884	$1,110	$ —	$2,994
Preferred and Preference Stock:								
With Mandatory Redemption Provisions	286	154	—	440	293	158	—	451
Without Mandatory Redemption Provisions	144	200	—	344	144	200	—	344
Common Stock Equity	1,616	905	—	2,521	1,593	814	—	2,407
Total Capitalization	4,057	2,451	—	6,508	3,914	2,282	—	6,196
Other Noncurrent Liabilities	95	119	—	214	81	111	—	192
Current Liabilities	423	283	(2)(A)	704	417	269	(6)(A)	680
Deferred Credits	568	213	—	781	514	203	—	717
Total Capitalization and Liabilities	$5,143	$3,066	$ (2)	$8,207	$4,926	$2,865	$ (6)	$7,785

COMBINED PRO FORMA CONDENSED INCOME STATEMENTS OF CEI AND TOLEDO EDISON

(Unaudited)

(Millions of dollars except per share amounts)

	Twelve Months Ended June 30, 1985				Year Ended December 31, 1984			
	Historical				Historical			
	CEI	Toledo Edison(D)	Adjustments	Pro Forma Totals(D)	CEI	Toledo Edison	Adjustments	Pro Forma Totals
Operating revenues	$1,235	$ 571	$ (2)(B)	$1,804	$1,215	$ 551	$ (2)(B)	$1,764
Operating expenses	978	442	(2)(B)	1,418	953	428	(2)(B)	1,379
Net operating income	257	129	—	386	262	123	—	385
AFUDC equity	153	96	—	249	130	83	—	213
Other nonoperating income	45	50	—	95	39	43	—	82
Income before interest	455	275	—	730	431	249	—	680
Interest	199	152	—	351	181	140	—	321
AFUDC borrowed — credit	48	50	—	98	41	45	—	86
Net income	304	173	—	477	291	154	—	445
Preferred and Preference Dividend Requirements	42	39	—	81	43	35	—	78
Earnings available for common	$ 262	$ 134	$ —	$ 396	$ 248	$ 119	$ —	$ 367
Earnings per common share	$ 3.61	$ 3.82	$ —	$ 3.42(E)	$ 3.64	$ 3.70	$ —	$ 3.41(E)

	Year Ended December 31, 1983				Year Ended December 31, 1982			
	Historical				Historical			
	CEI	Toledo Edison	Adjustments	Pro Forma Totals	CEI	Toledo Edison	Adjustments	Pro Forma Totals
Operating revenues	$1,210	$ 504	$ (2)(B)	$1,712	$1,109	$ 482	$ (1)(B)	$1,590
Operating expenses	952	389	(2)(B)	1,339	880	372	(1)(B)	1,251
Net operating income	258	115	—	373	229	110	—	339
AFUDC equity	87	65	—	152	77	49	—	126
Other nonoperating income	27	26	—	53	20	19	—	39
Income before interest	372	206	—	578	326	178	—	504
Interest	154	111	—	265	144	95	—	239
AFUDC borrowed — credit	28	33	—	61	27	23	—	50
Net income	246	128	—	374	209	106	—	315
Preferred and Preference Dividend Requirements	38	30	—	68	38	27	—	65
Earnings available for common	$ 208	$ 98	$ —	$ 306	$ 171	$ 79	$ —	$ 250
Earnings per common share	$ 3.28	$ 3.50	$ —	$ 3.11(E)	$ 3.01	$ 3.18	$ —	$ 2.84(E)

NOTES TO COMBINED PRO FORMA CONDENSED BALANCE SHEETS AND INCOME STATEMENTS

(Unaudited)

The Pro Forma Financial Statements include the following:

A. Elimination from CEI's current liabilities and Toledo Edison's current assets of certain amounts paid by Toledo Edison for the benefit of CEI as part owner of the Davis-Besse nuclear plant.

B. Elimination from CEI's operating revenues and Toledo Edison's operating expenses of fees billed to Toledo Edison for the use of CEI transmission lines by Toledo Edison.

C. Reclassification as a current asset of real and personal property taxes applicable to the following year which were recorded by Toledo Edison as an other asset.

D. Revenues amounting to $8,600,000 that are subject to refund. See "Selected Information Concerning Toledo Edison — Rate Matters."

E. Adjustment of earnings per share data to reflect the exchange of each company's outstanding common stock for Holding Company Common Stock (CEI — 1.11 Holding Company shares for each CEI share; Toledo Edison — one Holding Company share for each Toledo Edison share). The weighted average number of shares used for purposes of the pro forma calculations was 87,897,725 for 1982, 98,206,857 for 1983, 107,705,725 for 1984, and 115,508,662 for June 30, 1985.

RELATIONSHIPS BETWEEN CEI AND TOLEDO EDISON

CEI and Toledo Edison have been members of the CAPCO Group since 1967. This pool affords greater reliability and lower cost of providing electric service through coordinated generating unit maintenance and generating reserve back-up among the five companies. In addition, the CAPCO Group has undertaken programs to construct larger, more efficient electric generating units and to strengthen interconnections within the pool. Since 1980, the CAPCO Group companies have discontinued joint planning with respect to construction of future generating units.

The CAPCO Group companies have placed in service seven generating units (two nuclear and five coal-fired). Three additional nuclear generating units are currently under construction. The voluntary scheduling, completion, delay or cancellation of a project must be approved by all the CAPCO Group companies. Each company owns, as a tenant-in-common, a portion of certain of these major generating units. Each company has the right to the net capability and associated energy of its respective ownership portions of the units and is, severally and not jointly, obligated for the capital and operating costs equivalent to its respective ownership portions of the units and the required fuel, except that the obligations of Pennsylvania Power Company are the joint and several obligations of that company and Ohio Edison. The company in whose area a generating unit is located is responsible for the construction and operation of that unit for all the owners, except for the procurement of nuclear fuel for a nuclear generating unit. Each company owns the necessary interconnecting transmission facilities within its service area. The other CAPCO Group companies contribute toward fixed charges and operating costs of those transmission facilities.

CEI and Toledo Edison own the following shares of the 10 CAPCO Group generating units:

Units In Service	Ownership Percentage		Total Capability (Kilowatts)	Fuel Source	Operator/ Constructor
	CEI	Toledo Edison			
Sammis 7	–0–	–0–	600,000	coal	Ohio Edison
Bruce Mansfield 1	6.50	–0–	780,000	coal	Ohio Edison
Bruce Mansfield 2	28.60	17.30	780,000	coal	Ohio Edison
Bruce Mansfield 3	24.47	19.91	800,000	coal	Ohio Edison
Beaver Valley 1	–0–	–0–	810,000	nuclear	Duquesne
Eastlake 5	68.80	–0–	648,000	coal	CEI
Davis-Besse	51.38	48.62	866,000	nuclear	Toledo Edison
Total Capability			5,284,000		
Units Under Construction					
Perry 1	31.11	19.91	1,205,000	nuclear	CEI
Perry 2	31.11	19.91	1,205,000	nuclear	CEI
Beaver Valley 2	24.47	19.91	833,000	nuclear	Duquesne
Total Capability			3,243,000		

See "Selected Information Concerning Toledo Edison — Davis-Besse" regarding the operation of Davis-Besse and "Selected Information Concerning CEI — Construction and Financing Program" and "Selected Information Concerning Toledo Edison — CAPCO Group" regarding Perry Units 1 and 2 and Beaver Valley Unit 2.

SELECTED INFORMATION CONCERNING CEI

Construction and Financing Program

CEI carries on a continuous program of constructing and financing facilities needed to meet anticipated demand for electric service and to replace aging facilities. A large portion of CEI's construction program is its share of three CAPCO Group nuclear generating unit projects — Perry Units 1 and 2 and Beaver Valley Unit 2. See "Relationship Between CEI and Toledo Edison" for a

description of the CAPCO Group and CEI's ownership shares in Perry Units 1 and 2 and Beaver Valley Unit 2. As discussed below, a limited amount of work is being performed at Perry Unit 2, and the CAPCO Group companies are considering various alternatives with respect to Unit 2, including resumption of construction in full, mothballing or cancellation.

CEI projects a 2% annual increase in peak electrical demand in its service area. Compounded over the next 20 years, that growth would result in about a 50% increase in demand. In addition to completing Perry Unit 1 and Beaver Valley Unit 2 as described below, CEI is studying various alternatives to meet its projected demand and to replace aging generating units. The alternatives include combinations of the following: completing Perry Unit 2; constructing new generating units using new technologies currently being developed; extending the useful life of some existing generating capacity and utilizing long-term power purchases. Many factors are being considered to determine the most reliable and economical alternative. These include not merely construction costs, but also operation, maintenance and fuel costs, the impact of potential acid rain legislation and the possibility of power sales to other utilities in the 1990s. Also being considered in connection with Perry Unit 2 are the costs, uncertainties and risks associated with the construction and licensing of nuclear units as discussed under "Considerations Affecting Both CEI and Toledo Edison."

The estimate of CEI's construction program expenditures for the 1985-1989 period, taking into account the alternatives described above, ranges between $1,900,000,000 and $2,400,000,000, including an allowance for funds used during construction ("AFUDC"). Nuclear fuel expenditures are shown below.

Major components of CEI's 1985-1989 construction program are as follows:

	Without Perry Unit 2	With Perry Unit 2
	(Millions of Dollars)	
Perry Unit 1	$ 245*	$ 245*
Beaver Valley Unit 2	402	402
Perry Unit 2	55**	636***
Transmission, distribution and general facilities	415	415
Pollution control facilities	53	53
Modifications of other existing generating units	730	649
Total	$1,900	$2,400
Nuclear fuel costs	$104.2****	$116.2****

* Excludes additional costs expected to be incurred in 1985 and 1986 as described below.

** All in 1985.

*** Assumes resumption of construction of Perry Unit 2 in 1986 and completion in 1993.

**** Estimated nuclear fuel costs shown above include costs of acquisition, conversion, enrichment and fabrication but exclude financing costs. CEI is presently a party to nuclear fuel leasing arrangements covering major portions of these costs.

Expenditures for all facilities in 1985, including AFUDC and excluding nuclear fuel and the additional costs expected to be incurred for Perry Unit 1 discussed below, are expected to range from $550,000,000 to $600,000,000. Nuclear fuel financing for 1985 is estimated at $28,000,000. Should more stringent environmental regulations be adopted, particularly in the area of acid rain pollution control, CEI's estimate of construction program expenditures for pollution control facilities in the 1985-1989 period could increase substantially.

Perry Unit 1 and the facilities to be used in common with Perry Unit 2 are currently about 99% physically completed. The equipment testing and operating license proceedings required before fuel can be loaded are well along. In the operating license proceedings, the NRC has decided in favor of CEI on a number of issues raised by intervenors. Three matters remain to be decided by the NRC

— emergency evacuation planning, back-up diesel generators and hydrogen control systems. While CEI cannot give assurances, CEI believes, based on its knowledge of the quality of construction, recent inspections and reviews by the NRC and other regulatory agencies and the merits of the issues, that these matters should be resolved in its favor.

CEI now estimates that the earliest time when loading of fuel will be permitted at Perry Unit 1 is September 1985. Fuel load had been expected earlier in the summer of 1985. The fuel load delay is due to additional time needed to complete certain tests. In addition, the testing program was interrupted twice in May 1985, once by a small fire in the containment building and once by the failure of a large pump motor, which had to be replaced. Neither event caused any material damage.

Perry Unit 1 had been scheduled for commercial operation around the end of 1985. The delay in fuel load has made this completion schedule much tighter and considerably more difficult to achieve than previously stated by CEI. Barring any further material delay, Perry Unit 1 should be producing significant positive net generation around the end of 1985, although additional time, possibly into the second quarter of 1986, will be required before the Unit achieves commercial operation.

CEI's estimate of the cost (including AFUDC) of its share of Perry Unit 1 and the common facilities reflected above in CEI's construction program expenditures for the 1985-1989 period is about $1,200,000,000. CEI estimates that its share of the cost (including AFUDC) will increase by about $44,000,000 by the end of 1985 and about $600,000 for each day in 1986 until the Unit achieves full commercial operation.

Beaver Valley Unit 2 is currently about 86% complete and is scheduled for completion around the end of 1987. The estimated cost of CEI's 204,000-kilowatt share is about $1,000,000,000, including AFUDC. No public hearings are currently required to be held on the Beaver Valley Unit 2 operating license application because the petitioners with objections have failed to submit valid contentions. While CEI cannot give assurances, it has no reason to believe at this time that an operating license will not be issued.

Perry Unit 2, exclusive of the common facilities, is about 44% complete. Including its share of the common facilities, it is about 57% complete. The Unit had been scheduled for completion in 1988 and CEI's 375,000-kilowatt share of its cost had been estimated at about $800,000,000, including AFUDC. The CAPCO Group companies are reviewing several alternatives with respect to Perry Unit 2, including resumption of full construction, with a revised estimated cost and completion date, mothballing (with suspension of AFUDC accruals) or cancellation. Many factors are being taken into account in this review. These include the increasing costs of construction, the high cost and difficulty of financing and the increased risks associated with construction and licensing. On the other hand, also being considered are the potentially greater capacity needs nationwide, particularly in CEI's region, due to larger-than-anticipated demand and cancellations of other generating projects by other electric utilities, the probable high cost of retrofitting fossil-fuel units to satisfy possible acid rain pollution control regulations and the comparatively low cost of completing Perry Unit 2. It is uncertain when this review will be completed. In the meantime, the only significant work being performed on Unit 2 is that necessary to place Unit 1 in service. That work should be completed sometime in 1985. See "Perry Unit 2 AFUDC Accrual" below.

If Perry Unit 2 is cancelled, CEI will seek authorization from the PUCO to recover its investment in that Unit (and cancellation costs, if any) from its customers in rates over a period of years. Ohio law currently allows recovery of such costs as described in "Investment in Terminated Nuclear Projects" below. Other methods of recovery also may be available. However, CEI has no assurance that recovery would be allowed if Perry Unit 2 were cancelled. If, at the time of such a cancellation, it appears unlikely that recovery would be allowed, then CEI's investment in Perry Unit 2 (including AFUDC and any cancellation costs) would have to be written off, after adjustment for taxes. The amount to be written off would be reduced to exclude equipment usable for Perry Unit 1 or elsewhere for other purposes. CEI estimates such a write-off as of December 31, 1984 would have been about $200,000,000. Based on CEI's current financial position and level of annual income,

a write-off of such a magnitude would have a material adverse effect on income in the period in which it were to occur and on retained earnings, but CEI's ability to continue paying dividends would not be impaired solely because of such a write-off.

In September 1983, the Ohio Office of Consumers' Counsel ("OCC"), the City of Cleveland, the Commissioners of Geauga County, Ohio, and certain community groups petitioned the PUCO and the Ohio Power Siting Board to investigate the need for Perry Unit 2. The petition requests an order to cease construction of Perry Unit 2, to cease accruing AFUDC on that Unit and to prohibit the use of proceeds of securities issues to finance Perry Unit 2. CEI and Toledo Edison believe the petition is without merit and will oppose it vigorously. Under some circumstances, the request of the petitioners, were it to be granted, could require cancellation of the Unit.

Assuming adequate and timely rate relief, CEI expects to finance, depending on the size of its construction program, about one-third to one-half of its 1985-1989 construction program through the issuance of securities, with larger percentages in the earlier years. To date in 1985, CEI has raised $ from the issuance of debt and equity securities. In September 1985, CEI expects to issue approximately $50,000,000 of First Mortgage Bonds to collaterally secure the issue of tax-exempt securities by a public authority to help finance pollution control facilities at Beaver Valley Unit 2. If the Affiliation is effected, it is expected that common stock equity funds for CEI would probably be raised through the sale of Holding Company Common Stock to the public and under the Holding Company's employee stock purchase plans and its Dividend Reinvestment and Stock Purchase Plan. The types, amounts and timing of other future financings have not been determined.

In addition to funds required for the construction program, funds will be required by CEI for the retirement of $290,627,000 of debt and preferred stock during the 1985-1989 period. CEI also is required to offer to purchase $127,600,000 of preferred and preference stock during the 1985-1989 period.

In April 1985, Standard and Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's") lowered their ratings of CEI's First Mortgage Bonds. S&P lowered its rating from BBB + to BBB and Moody's lowered its rating from A3 to Baa2. Both S&P and Moody's cited Ohio's difficult regulatory environment and its impact on CEI. S&P has placed CEI on its CreditWatch for review of the ratings of its preferred stock and debt securities which would apply if and when the Affiliation is made effective. S&P has stated the review would be made for possible downgrading of CEI ratings. Moody's has indicated that it would not change its ratings on CEI's outstanding debt and preferred stock merely because of the Affiliation.

The issuance of additional First Mortgage Bonds is limited by two provisions of CEI's Mortgage and Deed of Trust. Under the more restrictive of these provisions, CEI would have been permitted at May 31, 1985 to issue approximately $1,056,200,000 of additional First Mortgage Bonds before giving effect to the issuance of $43,800,000 of First Mortgage Bonds in August 1985. This amount will fluctuate depending upon future bondable property additions, earnings and interest rates. If Perry Unit 2 were cancelled now, it is CEI's preliminary estimate that the amount of additional First Mortgage Bonds which could be issued would be reduced by about $225,000,000. There are no restrictions on the issuance of authorized Serial Preferred Stock or Serial Preference Stock by CEI. However, in the Reorganization Agreement, CEI has agreed not to issue more than $60,000,000 of Serial Preferred and Preference Stock prior to March 16, 1986.

Rates

Effective March 12, 1985, the PUCO granted CEI an increase in electric rates of $19,500,000, or 1.6%. CEI had requested an increase of $180,000,000. The allowed rate of return is 12.99% on rate base and 16.85% on common stock equity. The PUCO did not allow any construction work in progress ("CWIP") in rate base for Perry Unit 1. Previously, CEI had been receiving approximately $30,000,000 of annual revenue for Perry Unit 1 CWIP which had been included in rate base. On April 30, 1985, the PUCO granted a request of CEI for a rehearing of the PUCO's denial of Perry Unit 1 CWIP and stated that as the time approaches when Perry Unit 1 is expected to produce

significant positive net generation an evidentiary hearing will be scheduled to determine whether any Perry Unit 1 CWIP should be allowed in rate base. It appears that the PUCO should hold the hearing and make its determination sometime in the fall of 1985.

Under Ohio law, the PUCO has discretion to include CWIP in rate base for construction projects which are at least 75% complete. The amount includable for all projects is limited to 10% of rate base excluding CWIP, except that up to 20% can be included for sulfur and nitrous oxide pollution control projects. CWIP may be included for a period not longer than 48 consecutive months, plus any time needed to comply with changed governmental regulations, standards or approvals, plus up to another 12 months for good cause shown. When the project is completed and included in rate base, an amount equal to the CWIP is excluded from rate base for a period equal to the time it had been included, resulting in lower revenues than would otherwise be the case during that period. During the period of exclusion, the equivalent of AFUDC accrues on the excluded portion to be recovered in rates over the useful life of the completed project. The effect of this provision is to phase into rate base the total cost of a project over a period starting when CWIP is first included in rate base and ending when the exclusion period ends. If a project is cancelled or is not completed within the allowable period of time after inclusion of its CWIP has started, then CWIP must be excluded from rate base and any revenues which resulted from such prior inclusion must be offset against future revenues over the same period of time as the CWIP had been included.

On July 2, 1985, CEI filed an application with the PUCO requesting an increase in its electric rates of approximately $212,000,000, or 17.0%. The request includes an increase in base rates of $232,000,000 offset by $20,000,000 in projected fuel savings from the operation of Perry Unit 1. The proposed increase includes a request for CWIP and operating costs for Perry Unit 1 and common facilities. No request was made to include the cost of Perry Unit 1 in rate base other than CWIP because that Unit was not in service on the "date certain" established to determine rate base in that rate case. It also includes a request for including in rate base credits similar to AFDUC for Perry Unit 1 between the time it is placed in service and the time its costs are included in rate base, which the Supreme Court of Ohio recently decided was permissible in the discretion of the PUCO. Any resulting rate increase would be effective in the second quarter of 1986.

Perry Unit 2 AFUDC Accrual

As stated under "Construction and Financing Program" above, the minimal work being performed on Perry Unit 2 should be completed sometime in 1985. Even if the CAPCO Group companies do not decide during 1985 to increase construction significantly at Perry Unit 2, CEI plans to continue capitalizing AFUDC for that Unit as CWIP because it believes that cost should be recovered through rates if and when the Unit is completed. However, if Perry Unit 2 is cancelled, recovery of AFUDC for the Unit would be less certain as described in "Construction and Financing Program" above and "Investment in Terminated Nuclear Projects" below. In consideration of these factors, CEI started on July 1, 1985 to credit AFUDC for Perry Unit 2 to a deferred credit reserve instead of continuing to credit it to income. Such deferral does not affect cash flow, but it does cause an equal reduction in reported earnings from what they otherwise would be. Such reduction could be material depending on the duration of the deferral. The AFUDC for Perry Unit 2 is expected to average about $3,000,000 per month in 1985, or about 4¢ per share per month of CEI Common Stock.

Investment in Terminated Nuclear Projects

In January 1980, the CAPCO Group companies terminated their plans to construct four nuclear generating units which were in various stages of construction start-up. Ohio law does not permit recovery of CEI's investment and cancellation expenditures, if any, through rates as an operating expense. However, CEI's rate case orders provide specific revenue to recover these costs through the method used to calculate the allowed rate of return on rate base and authorize CEI to amortize the unamortized terminated unit costs over a period of about 15 years starting in 1983. Accordingly, these costs are being amortized over that period. The unamortized amount at June 30, 1985 was $44,954,000. The unamortized costs of the terminated units are not included in CEI's rate base.

Davis-Besse

As discussed under "Selected Information Concerning Toledo-Edison — Davis-Besse," Davis-Besse was shut down on June 9, 1985 due to the failure of the unit's main and auxiliary feedwater supply. The unit is expected to be out of service at least until the end of September 1985, but depending on the extent of any corrective action, could be out longer. CEI is replacing the output it normally would receive from its 452-megawatt ownership share of Davis-Besse with more costly generation from its fossil fuel units. CEI believes it will have sufficient power to meet its service area needs during the Davis-Besse outage from its own non-nuclear generating units supplemented by wholesale power purchases as necessary. Whether CEI will be able to recover the additional power costs, which are expected to be substantial, will be determined by the PUCO in semi annual fuel clause hearings. See "Selected Information Concerning Toledo Edison — Rate Matters" regarding a request by the OCC that the PUCO order a management audit at Davis-Besse.

SELECTED INFORMATION CONCERNING TOLEDO EDISON

Construction and Financing Program

Toledo Edison currently estimates its 1985 construction costs to be about $373 million. About $235 million of these costs are direct cash expenditures, all of which will require external financing. Additional external financing will be required to meet 1985 sinking fund requirements and long-term debt maturities of about $59 million. Approximately $174 million has been provided from the net proceeds of external financings completed and escrowed pollution control financing proceeds through June 1985. It is anticipated that additional external financing during 1985 will consist of issues of long-term debt and preferred stock later in the year and regular common stock issuances under Toledo Edison's Shareowner Dividend Reinvestment and Stock Purchase Plan.

Toledo Edison's construction program during the five-year period 1985-1989, described in the table below, is presently estimated to cost about $914 million (including $307 million for AFUDC, but excluding nuclear fuel). These costs do not include possible increases in 1986 in the cost of Perry Unit 1 resulting from the delay in that unit described in "CAPCO Group" below. The construction program described in the table below does not include Perry Unit 2 direct cost expenditures beyond 1985 or AFUDC beyond June 1985. Pending completion of the Perry Unit 2 studies discussed below, levels of such expenditures for that unit beyond 1985 have not been determined by the CAPCO Group. Approximately 80% of construction program costs are attributable to nuclear generating units being installed as part of the CAPCO Group power pool. See "Relationships Between CEI and Toledo Edison" for a description of the CAPCO Group and Toledo Edison's ownership shares in Perry Units 1 and 2 and Beaver Valley Unit 2 and see "CAPCO Group" below regarding announced cost estimate increases, studies relating to the CAPCO Group units and creation of a reserve in connection with Perry Unit 2. As with any nuclear construction program, it is probable that additional costs would be incurred if completion of any of the CAPCO Group units under construction were to be delayed further. Likewise, the cost estimates for such units are subject to increase.

	1985	1986	1987-1989
		Millions of Dollars	
Generating facilities	$344.0	$164.1	$240.5
Transmission facilities	2.5	1.6	4.8
Distribution facilities	19.5	25.7	79.0
Other	6.7	6.5	18.8
Total	$372.7	$197.9	$343.1
Nuclear fuel costs	$ 18.9	$ 25.0	$ 43.7

Estimated nuclear fuel costs shown above include costs of acquisition, conversion, enrichment and fabrication but exclude financing costs. Toledo Edison is presently a party to nuclear fuel financing arrangements covering major portions of these costs.

Toledo Edison continues to rely heavily upon external financing in the public and private securities markets. External financing provided approximately 90% of Toledo Edison's construction program cash requirements during 1980-1984. Toledo Edison, without taking into account the effect of the Affiliation, currently estimates that all of its estimated 1985-1989 construction program cash requirements, approximately $607 million, will require external financing. The amount of external financing, and Toledo Edison's ability to obtain such financing, will depend on, among other factors, the timing and amount of rate increases which will depend substantially on Toledo Edison's ability to recover in rates the costs of units currently under construction, changes in the schedule and cost of Toledo Edison's construction program, the level of kilowatt-hour sales, the effect of general inflation on construction costs and other expenses, financial market conditions, Toledo Edison earnings and, if the Affiliation is effected, Holding Company earnings. If the Affiliation is effected, it is expected that common stock equity funds for Toledo Edison would probably be raised through the sale of Holding Company Common Stock to the public and under the Holding Company's employee stock purchase plans and its Dividend Reinvestment and Stock Purchase Plan. The types, amounts and timing of other future financings beyond 1985 have not been determined. Utilities having nuclear construction programs, including Toledo Edison, have been finding it more costly and difficult to obtain external financing because of investors' increased concerns about the risks associated with nuclear construction and licensing. If Toledo Edison were unable to obtain external financing in the amounts and at times required to pay construction expenditures, Toledo Edison would have to consider various options, such as postponing construction expenditures, conserving internally generated cash and reducing other cash outlays. See "Rate Matters" below.

The cost and availability of new capital to Toledo Edison is directly affected by the credit ratings of its securities. In May 1985, Moody's lowered its ratings on Toledo Edison's commercial paper and preferred stock and Duff & Phelps lowered its ratings on the Company's first mortgage bonds and preferred stock. S&P confirmed its existing ratings of Toledo Edison's securities in mid-April. Should further ratings reductions occur, it would be even more difficult and expensive for Toledo Edison to obtain sufficient financing to meet its construction commitments and other cash needs. S&P has placed Toledo Edison and CEI on its Credit-Watch for review of the ratings of the preferred stock and debt securities which would apply if and when the Affiliation becomes effective. S&P has stated the review would be made for possible upgrading of Toledo Edison's ratings. Moody's has indicated that it would not change its ratings on Toledo Edison's outstanding debt and preferred stock merely because of the affiliation.

Toledo Edison obtains new capital between external long-term financings by utilizing short-term debt primarily from informal bank lines of credit, which currently total $73 million. Generally, the banks are not legally obligated to extend credit to Toledo Edison under such informal credit lines. Toledo Edison also entered into a five year revolving underwriting facility agreement. This facility enables Toledo Edison to sell up to $25 million in short-term notes from time to time upon compliance with certain financial statement tests and other conditions. Toledo Edison is currently authorized by the PUCO to issue up to $150 million of short-term debt. Toledo Edison's short-term debt generally bears interest at market rates prevailing at the time of borrowing.

Under the coverage requirement in Toledo Edison's indenture of mortgage, Toledo Edison may not issue, except for certain refunding purposes, additional first mortgage bonds unless net earnings, as defined (before income taxes) and calculated as provided in the indenture, are at least 2.0 times annual interest requirements on outstanding first mortgage bonds plus any bonds being issued. Toledo Edison's coverage (including revenues subject to refund as described in "Rate Matters" below) under the indenture for the 12-month period ended June 30, 1985 was 2.24, which would entitle Toledo Edison to issue up to $84 million of first mortgage bonds at an assumed interest rate of 15%. If the revenues subject to refund were to be excluded from such coverage ratio calculation, Toledo Edison would be entitled to issue only up to $50 million of additional first mortgage bonds, based on the same interest rate assumption. The additional amount issuable at any given time in the future will depend on net earnings for any 12 consecutive months of the 15 months preceding the date of issuance and the interest requirement on any additional first mortgage bonds to be issued.

Toledo Edison's articles of incorporation prohibit the issuance of additional shares of preferred stock unless gross income (after income taxes), determined as provided in the articles, is at least 1.50 times the aggregate of the annual interest requirements on long-term indebtedness and the annual dividend requirements on the preferred stock to be outstanding immediately after the issuance of the additional shares of preferred stock. Toledo Edison's coverage (including revenues subject to refund as described in "Rate Matters" below) under the articles for the 12-month period ended June 30, 1985 was 1.67, which would entitle Toledo Edison to issue approximately $150 million of preferred stock at an assumed dividend rate of 15%. If the revenues subject to refund were to be excluded from such coverage ratio calculation, Toledo Edison would be entitled to issue only up to $112 million of preferred stock, based on the same interest rate assumption. The actual amount issuable at any given time in the future will depend on gross income for any 12 consecutive months of the 15 months preceding the date of issuance, the dividend requirement on additional preferred stock and the interest requirements on any additional long-term debt. Should Toledo Edison be required to write off its investment in Perry Unit 2 by an extraordinary charge against current earnings, Toledo Edison believes that its ability to issue first mortgage bonds would not be affected, but such charge would reduce the amount of preferred stock otherwise issuable or prohibit the issuance of preferred stock at least during the subsequent 12-month period. The reduction in Toledo Edison's earnings as a result of the creation of a reserve for Perry Unit 2 AFUDC accruals also reduces the amount of preferred stock otherwise issuable. See "CAPCO Group" below for information regarding Perry Unit 2.

Certain agreements under which term loan notes of Toledo Edison were issued contain provisions, among others, limiting its funded debt plus certain short-term debt (generally, that in excess of $150 million) to 65% of capitalization (as therein defined). Toledo Edison believes that a write-off of its investment in Perry Unit 2 would not cause such limits to be exceeded, based upon June 30, 1985 capitalization and its current estimate of the potential write-off. Agreements under which certain long-term notes were, and certain short-term notes may be, issued limit the right of Toledo Edison to engage in secured financing other than first mortgage bonds. Under the Reorganization Agreement, Toledo Edison has agreed not to issue more than $60,000,000 of its preferred and preference stock prior to March 16, 1985.

CAPCO Group

Toledo Edison estimates that the cost (including AFUDC) of its 19.91% interest in Perry Unit 1 and the facilities to be used in common with Perry Unit 2 will increase by about $34 million through the end of 1985 and, for each day thereafter until the unit achieves full commercial operation, by about $385,000 to $460,000, depending upon the ultimate treatment by the PUCO of the AFUDC reserve ordered in Toledo Edison's 1985 interim rate case. See the discussion of the AFUDC reserve under "Rate Matters" below. Toledo Edison's total investment in Perry Unit 1 and common facilities at June 30, 1985 was $743 million.

The estimated completion date for the Beaver Valley Unit 2 is the end of 1987, as announced in January 1985. Toledo Edison's share of the total cost of the unit is estimated to be approximately $890 million, including $530 million of direct expenditures and $360 million of AFUDC. At June 30, 1985, Toledo Edison's investment in the unit, which is about 86% complete based on measures of physical completion, was $586 million.

The estimated cost and completion timetable for Perry Unit 2 remains under review and the CAPCO Group companies continue to consider all options with respect to that unit. In March 1984, the CAPCO Group companies agreed to minimize work and cash expenditures on Perry Unit 2 and concentrate construction efforts on the completion of Perry Unit 1. All alternatives with respect to Perry Unit 2, including accelerated or extended construction schedules, mothballing (including suspension of AFUDC accruals) or cancellation, are being considered. The current work minimization will increase the cost of the unit if full-scale construction is resumed. The future of the unit, however, is still undecided. See "Selected Information Concerning CEI — Construction and Financing Program" with respect to a petition with respect to Perry Unit 2.

During the first half of 1985, the only work performed on Perry Unit 2 was that necessary to enable Perry Unit 1 to be placed in service. Moreover, construction activity has been reduced to such a level that, as of July 1, 1985, Toledo Edison ceased to include AFUDC related to Perry Unit 2 in net income and instead began crediting the Perry Unit 2 capitalized AFUDC to a reserve account established for that purpose. Prior to July, Toledo Edison had been including the AFUDC related to Perry Unit 2 in net income at a rate of about $2 million per month. Creation of such a reserve will not affect Toledo Edison's cash flow, but Toledo Edison's net income will be reduced by about $13 million during the second half of 1985, or about $0.34 per common share.

If the construction of Perry Unit 2 were not completed and the PUCO, or applicable law, did not provide Toledo Edison a means to recover its investment in that unit (including any cancellation charges paid to contractors and other costs), and no other basis for recovery could be found or anticipated, Toledo Edison would be required to write off that investment. At June 30, 1985, this write-off would have been approximately $167 million, net of federal income tax effect, based upon Toledo Edison's investment in the unit of approximately $234 million. This amount does not reflect cancellation charges and other costs payable if Perry Unit 2 were to be cancelled. Such charges and costs are not presently determinable, but Toledo Edison believes they would be somewhat offset by possible cost reallocations and sales of machinery and equipment. As a result of the uncertainty regarding the status of Perry Unit 2, the Company's auditors have qualified their opinions on Toledo Edison's 1983 and 1984 financial statements regarding the recovery of Toledo Edison's investment in Perry Unit 2.

Toledo Edison expects that it will ultimately need its share of the additional generating capacity from the three CAPCO units under construction. However, depending on when those units are placed in service, Toledo Edison expects that its generating capability will probably exceed its needs for various indeterminable periods of time after each of such units is placed in service. Consequently, Toledo Edison is undertaking efforts to sell temporarily as much as possible of this additional capacity pending its ultimate need by Toledo Edison for sales to its own customers.

Davis-Besse

The Davis-Besse Nuclear Power Station, which is operated by Toledo Edison and owned by Toledo Edison and CEI, was shut down June 9, 1985 due to the failure of the unit's main and auxiliary feedwater supply. There were no injuries or radiation leaks and the shutdown resulted in negligible damage. Station personnel promptly restarted the auxiliary feedwater pump, activated additional backup safety systems and safely shut down the unit. Toledo Edison, along with the NRC, is investigating the cause of the equipment failures. Toledo Edison is required to review its findings and proposed solutions with the NRC before approval will be given for the start-up of the unit.

On July 24, 1985, the NRC issued a report of its fact finding team on the June 9 event. The team's major conclusion was that the underlying cause of the June 9 event was Toledo Edison's inattention to detail in the maintenance of plant equipment. The team concluded that the root causes of problems in the past had not always been found and corrected due to the fact that troubleshooting, maintenance and testing of equipment and of evaluating operating experience relating to equipment were inadequate, and that equipment problem resolution did not go beyond mere compliance with NRC regulatory requirements. Among its 18 specific findings and conclusions, the team concluded that the key safety significance of the event was that multiple equipment failures involving back-up safety equipment occurred.

On July 17, 1985 and prior to the completion of the Toledo Edison and NRC investigations, the Executive Director for Operations of the NRC responded preliminarily to an inquiry of Representative Edward J. Markey, (D-Massachusetts), regarding the incident. The Executive Director was critical of management's role in identifying and solving problems at the unit, but acknowledged that steps were being actively taken by Toledo Edison to address these problems. In addition, the response stated there were some indications that Toledo Edison's financial involvement in other nuclear projects necessitated budget restraints at Davis-Besse. The Director also indicated that the

installation of a third feedwater pump driven by an alternative power source had been under discussion since 1979, while Toledo Edison explored more feasible and less costly means of improving the reliability of the auxiliary feedwater system. In responding to additional inquiries on July 24, 1985 the NRC indicated that the probability of events leading to a severe core damage accident at Davis-Besse was higher than at other nuclear plants.

Toledo Edison has recently taken major actions to demonstrate its commitment to the safe and efficient operation of Davis-Besse. A new senior vice-president for nuclear operations has been appointed. Other important organizational changes include a new plant manager, an assistant plant manager for maintenance and a superintendent of planning and scheduling. An alternatively powered, larger feedwater pump is being installed to provide an additional source of cooling water, which is expected to reduce the probability of events leading to a severe core damage accident. Toledo Edison believes that its other financial commitments have not affected its budget for necessary expenditures at Davis-Besse. CEI and Toledo Edison have spent about $300 million on improvements there since the unit began operation. Toledo Edison is committed to improving its maintenance and testing programs at Davis-Besse.

Toledo Edison cannot currently estimate when the unit will resume operations since its investigations of the causes of the equipment failures are still incomplete. The unit is expected to be out of service at least until the end of September 1985, but, depending on the extent of any corrective action, could be out longer. Toledo Edison believes it will have sufficient replacement power from its own more costly non-nuclear generating units, supplemented by wholesale power purchases as necessary, to meet its service area needs during the outage. Whether Toledo Edison will be able to recover replacement power costs, which are expected to be substantial, will be determined by the PUCO.

Rate Matters

Toledo Edison filed a request in late 1984 for a $45 million or an 8% permanent increase in its retail electric rates. At the same time, Toledo Edison requested the PUCO to implement the $45 million increase immediately on an interim basis. These requests were based on Toledo Edison's need to recover from the lingering effects of past inflation, a heavy financing burden, the results of recent inadequate rate increases and Toledo Edison's high level of noncash earnings.

The PUCO on February 19, 1985 approved and adopted Toledo Edison's stipulation with the Staff of the PUCO and the intervenors in the interim rate increase proceeding. The stipulation contained (i) an allowance of $22.7 million in additional gross annual operating revenues by means of an emergency temporary uniform surcharge, (ii) provisions designed to ensure that revenues collected during the surcharge period will ultimately result in rates in the future being lower than they otherwise would have been, (iii) a recommendation that the PUCO order Toledo Edison to analyze the feasibility of reducing the CAPCO Group construction program and Toledo Edison's participation in such program and file a report thereon with the PUCO by May 1, 1985, (iv) an agreement that Toledo Edison's cost reduction and cash conservation efforts be continued and expanded, as appropriate, during the period of the emergency surcharge, and (v) an agreement that Toledo Edison will withdraw its pending permanent rate case application and file another application for permanent rate relief with a date certain of June 1, 1985. Toledo Edison will be able to reopen the interim proceeding by motion to request additional rate relief. The $22.7 million of additional revenues are subject to refund in the event the level of revenues established in the permanent case file in June 1985 are less than the level of the temporary revenues established in the interim proceeding.

In accordance with the stipulation, the PUCO ordered Toledo Edison to reduce its AFUDC accruals by creating a reserve equal to the net-of-tax amount of the increase during the surcharge period. For the six months ended June 30, 1985, the reduction in AFUDC accruals amounted to $4.5 million and is expected to total $10.9 million at December 31, 1985. The interim rate order outlined the following two alternative additional steps to ensure that future rates will be lower than they

otherwise would have been in order to compensate ratepayers for the interim rate increase: (i) the amount of the AFUDC reserve would not be capitalized and included in rate base when Perry Unit 1 is placed in service or (ii) the AFUDC reserve plus carrying charges would be capitalized and included in rate base, but future revenues would be reduced by the total amount of the interim rate increase collected plus carrying charges (such capitalization and reduction to occur over a period equalling that during which the interim surcharge was in effect); the PUCO is expected to implement one of the alternatives when Perry Unit 1 is included in rate base as plant in service, after taking into account Toledo Edison's ability to economically meet its financial obligations.

In compliance with the PUCO's February 19, 1985 order, Toledo Edison notified the appropriate authorities in early May 1985, of its withdrawal of its 1984 permanent rate increase request and filed a new permanent retail rate increase application with the PUCO on June 3, 1985. Based upon the projected sales level, the application would result in an annual increase in revenues of approximately $82.2 million in addition to making permanent the $22.7 million increase granted by means of the temporary surcharge. The application requests that $90.6 million in CWIP, the maximum allowable, be permitted in rate base. Nearly all of the CWIP component is attributable to Perry Unit 1. At the present time, Toledo Edison cannot predict what effect, if any, the delay of the Perry unit may have on the pending rate case. Toledo Edison anticipates that this increase in retail rates may be partially offset during 1986 by a decrease in fuel cost recovery, dependent upon the level of operations at the Davis-Besse and Perry 1 nuclear units. No decision on the application is expected until early 1986. In a preliminary report issued in a rate proceeding involving Ohio Edison Company, the Staff of the PUCO recommended that a CWIP allowance be provided for Perry Unit 1 based upon the presumption that the unit will be providing service to customers during the time period when the rates set in that proceeding will be in effect. The Staff indicated that it will continue to monitor developments regarding Perry Unit 1 and that it may modify its recommendation based upon the latest information available to the Staff. See "Selected Information Concerning CEI — Construction and Financing Program" with respect to inclusion of CWIP in rate base.

The OCC has filed two motions with the PUCO concerning Davis-Besse. The first motion, filed in connection with Toledo Edison's June 1985 rate increase application, requests the PUCO to conduct a management audit at Davis-Besse. The second motion, filed in connection with Toledo Edison's semi-annual fuel clause hearing, requests the PUCO to take an in-depth look at the operations at Davis-Besse before deciding the November 1985 fuel hearing. In Toledo Edison's most recent fuel clause hearing, the PUCO stated in its July 23, 1985 order that it considers the issue of Davis-Besse's operating efficiency an open issue in the rate case filed in June 1985. See "Davis-Besse" above regarding the Davis-Besse outage.

Notwithstanding the emergency rate increase granted by the PUCO on February 19, 1985, Toledo Edison's financial condition is expected to remain troublesome. Toledo Edison's AFUDC has approximated or exceeded its earnings on its common stock over the last five years; this condition is expected to continue at least into 1986. Toledo Edison's low internal net cash generation makes its financial viability dependent on external financings and additional rate increases. Toledo Edison's financing alternatives are adversely affected by its poor earnings quality and its low internal net cash generation. In recent rate cases, Toledo Edison has obtained rate increases significantly less than those requested.

In its February 19, 1985 order, the PUCO ordered Toledo Edison to file a report by May 1, 1985 analyzing the feasibility of reducing the CAPCO Group companies' generating unit construction program and Toledo Edison's participation in such program. Toledo Edison filed an interim report on May 1, 1985 stating that discussions have been under way with the other CAPCO Group companies and with other electric systems which could have the effect of reducing the CAPCO Group companies' and/or Toledo Edison's commitments to new generating units. Because of the confidential and sometimes speculative nature of these discussions, Toledo Edison indicated in its report that it would be counterproductive to provide definitive identification of these and future discussions at this time. However, Toledo Edison expects it can provide tentative results during the

summer of 1985. Therefore, Toledo Edison requested that the PUCO accept the May 1 report as an interim report and require Toledo Edison to file a further report no later than August 30, 1985. The PUCO in a subsequent order acquiesced in Toledo Edison's proposal but required that an outline of the report be filed, which has been done.

CONCERNS AFFECTING BOTH CEI AND TOLEDO EDISON

Nuclear generating projects in the electric utility industry, including those of the CAPCO Group companies, have experienced substantial cost increases, construction delays and, in the case of some non-CAPCO Group projects, licensing difficulties. These have been caused by various factors, including inflation, required design changes and rework, allegedly faulty construction, objections by groups and governmental officials, limits on the ability to finance, limits on the use of proceeds of security issues, difficulty in obtaining needed rate increases, reduced forecasts of energy requirements and economic conditions. This experience indicates that the risk of significant cost increases, delays and licensing difficulties remains present through to completion of any nuclear project, including Perry Units 1 and 2 and Beaver Valley Unit 2.

The successful completion of the CAPCO Group construction program requires the continuing ability of the CAPCO Group companies to pay for their shares. To do so, each CAPCO Group company must continue to obtain adequate and timely rate increases. There can be no assurance that such rate increases always will be forthcoming or that some other event will not adversly affect financial markets or nuclear projects generally, or a CAPCO Group company or nuclear project in particular, so as to impair the ability of a CAPCO Group company to pay for its share. If any CAPCO Group company does not pay for its share, any or all of the other CAPCO Group companies could, as a practical matter, be forced to accept a solution involving substantial losses or additional financial burdens.

The financial conditions of the CAPCO Group companies and their abilities to finance their respective construction programs vary. The disclosure documents of each CAPCO Group company, including, but not limited to, their respective Reports on Form 10-K for the year ended December 31, 1984 and their subsequent Reports on Forms 10-Q and 8-K, should be examined for information regarding the ability of each CAPCO Group company to meet its CAPCO Group construction program commitments.

Some regulatory authorities have undertaken proceedings to determine whether recovery in rates of part of the cost of a completed construction project should be disallowed or deferred, due to findings of excess capacity or imprudent management of the project or due to a desire to phase in over a period of time the rate increase otherwise allowable. On April 30, 1985, the PUCO issued an order starting an investigation to determine whether any Perry Unit 1 costs are excessive and the Staff of the PUCO has solicited proposals from outside consultants to assist it in this investigation. The PUCO also issued an order to investigate whether generic criteria should be established for determining whether excess generating capacity exists in an electric utility's system. The OCC has intervened in both of these proceedings. The Pennsylvania Public Utilities Commission ("PaPUC") has ordered that a consultant, Canatom, be retained to investigate for the PaPUC whether any costs of Beaver Valley Unit 2 are excessive. Any PaPUC decision will not apply to CEI or Toledo Edison. However, it is possible that the PUCO also will investigate the costs of Beaver Valley Unit 2 (and Perry Unit 2, if completed) incurred by CEI or Toledo Edison. CEI and Toledo Edison believe that any disallowance or deferral of recovery of its share of the costs of those three Units would be unjustified, except such deferral of recovery as may be provided by the PUCO under the construction work in progress law of Ohio as described under "Selected Information Concerning CEI — Rates."

A major accident at any nuclear plant could have a material adverse effect on the operation, construction or licensing of the nuclear units of the CAPCO Group companies.

The likelihood of a significantly adverse event occurring in any of the risk areas described above varies. So does the potential severity of any adverse impact. It should be recognized, however, that any such event, such as the disallowance of recovery in rates of a significant portion of the investment in Perry Unit 1 or 2 or Beaver Valley Unit 2, could occur and have a material adverse impact on the financial condition and/or results of operations of CEI or Toledo Edison, or both of them.

EXPERTS

The consolidated financial statements of CEI, as of December 31, 1984, included in the Form 10-K, which statements are incorporated by reference in this Joint Proxy Statement/Prospectus, have been so incorporated in reliance on the report (which is subject to the outcome of an uncertainty with respect to Perry Unit 2 as discussed in Note L to the financial statements) of Price Waterhouse, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The audited financial statements and schedules of Toledo Edison incorporated by reference in this Joint Proxy Statement/Prospectus have been examined by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports. Reference is made to said reports in which the opinion is qualified with respect to the recovery of the investment in Perry Unit 2.

With respect to the unaudited interim financial information of Toledo Edison for the quarter ended March 31, 1985, Arthur Andersen & Co. has applied limited procedures in accordance with professional standards for a review of that information. However, their separate report thereon states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on that information should be restricted in light of the limited nature of the review procedures applied. In addition, Arthur Andersen & Co. are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by those accountants within the meaning of Sections 7 and 11 of the Act.

LEGAL MATTERS

Squire, Sanders & Dempsey, 1800 Huntington Building, Cleveland, Ohio 44115, represents the Holding Company on legal matters relating to the Affiliation and will pass upon the legality of the Holding Company Common Stock issued in connection with the Affiliation.

INDEMNIFICATION OF HOLDING COMPANY'S OFFICERS AND DIRECTORS

Holding Company Regulations provide for the indemnification of any director or officer or any former director or officer of the Holding Company or any person who is or has served at the request of the Holding Company as a director, officer or trustee of another corporation, joint venture, trust or other enterprise (and his or her heirs, executors and administrators) against expenses, including attorney's fees, judgments,fines and amounts paid in settlement, actually and reasonably incurred by him or her by reason of the fact that he or she is or was such director, officer or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent and according to the procedures and requirements set forth in any applicable law as the same may be in effect from time to time. The Regulations of the Holding Company state that the indemnification provided for therein shall not be deemed to restrict the right of the Holding Company to indemnify employees, agents and others as permitted by any applicable law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

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Agreement and Plan of Reorganization

Between

The Cleveland Electric Illuminating Company

And

The Toledo Edison Company

Dated

June 25, 1985

AGREEMENT AND PLAN OF REORGANIZATION

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AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION ("Reorganization Agreement"), is entered into as of June 25, 1985, by and between THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, an Ohio corporation ("CEI"), and THE TOLEDO EDISON COMPANY, an Ohio corporation ("TE") (the parties hereto are hereinafter sometimes collectively referred to as the "Utility Companies").

PLAN OF REORGANIZATION

The Boards of Directors of the Utility Companies believe that it is in the best interests of their respective shareholders and customers to form a holding company that will be owned by their respective common shareholders and of which each of the Utility Companies will become a subsidiary, all of the common stock of which will be owned by the holding company, pursuant to the reorganization (the "Reorganization") contemplated by the Reorganization Agreement. The Reorganization will involve the incorporation of North Holding Company, an Ohio corporation ("Holding Company"), the authorized stock of which will originally consist of 150 shares of common stock, without par value, 100 shares of which will be owned by CEI and 50 shares of which will be owned by TE, and 100 shares of serial preferred stock, without par value. Holding Company will initially have three subsidiaries, two of which will be East Merger Company, an Ohio corporation ("East"), and West Merger Company, an Ohio corporation ("West") (East and West are hereinafter sometimes collectively referred to as the "Merger Companies") (the Utility Companies, Holding Company and the Merger Companies are hereinafter sometimes collectively referred to as the "Constituent Corporations"). The third initial subsidiary of Holding Company will be a service company, which will enter into system operations agreements concerning nuclear operations, construction, systems dispatch, and such other matters as may be agreed upon, with each of the Utility Companies effective as of the consummation of the Reorganization. A key element in the Reorganization will be the implementation of an equitable system of generating capacity rationalization and one-system economic dispatch between CEI and TE to produce the optimum economic use of the combined systems.

Pursuant to Agreements of Merger, the forms of which are attached hereto as Exhibits A and B (sometimes hereinafter referred to as the "East Merger Agreement" and the "West Merger Agreement" respectively and collectively as the "Merger Agreements"), (a) East will be merged into CEI, the issued and outstanding shares of East will be converted into the number of shares of CEI Common Stock issued and outstanding immediately prior to the effective time of the mergers (the "Effective Time," as defined in Article III of the Merger Agreements), and each share of CEI Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into 1.11 shares of Holding Company Common Stock, and (b) West will be merged into TE, the issued and outstanding shares of West will be converted into the number of shares of TE Common Stock issued and outstanding immediately prior to the Effective Time, and each share of TE Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into 1.00 share of Holding Company Common Stock, with the result that all of the common stock of CEI and TE will be owned by Holding Company and the former common shareholders of TE and CEI will be common shareholders of Holding Company all as more fully provided in the Merger Agreements. All CEI and TE securities other than CEI and TE Common Stock outstanding at the Effective Time shall be unaffected by the mergers and shall remain outstanding after the Effective Time. All Holding Company common stock owned by CEI and TE and outstanding immediately prior to the Effective Time will be cancelled.

The foregoing mergers (the "Mergers") will be consummated in accordance with the terms and conditions of this Reorganization Agreement and the Merger Agreements and will be consummated at the Effective Time. Fractional interests will be dealt with as provided in Section 2.3 of the East Merger Agreement.

AGREEMENT

In order to carry out the above plan of reorganization and in consideration of the mutual agreements hereinafter contained, the Utility Companies agree as follows:

ARTICLE I

FORMATION OF HOLDING COMPANY AND MERGER COMPANIES

1.1 Organization of Holding Company. As promptly as practicable following the execution of this Reorganization Agreement, Holding Company will be organized under the laws of the State of Ohio. Holding Company initially shall have 150 authorized shares of common stock, without par value ("Holding Company Common Stock"), of which 100 shares shall be issued and sold to CEI and 50 shares shall be issued and sold to TE at a price of $1.00 per share, and 100 shares of serial preferred stock, without par value. Immediately prior to the Effective Time, the number of authorized shares of Holding Company Common Stock shall be increased to 150,000,000, and the number of authorized shares of Holding Company serial preferred stock shall be increased to 5,000,000. The Articles of Incorporation of Holding Company shall be in the form attached hereto as Exhibit C and its Regulations shall be in the form attached hereto as Exhibit D.

1.2 Directors and Officers of Holding Company. The parties hereto will cause the first directors and officers of Holding Company, who shall remain in office until their successors are elected, to be as follows:

John P. Williamson — Chairman of the Board and Director (TE)

Robert M. Ginn — President and Chief Executive Officer and Director (CEI)

Richard A. Miller — Executive Vice President and Director (CEI)

Paul M. Smart — Secretary and Treasurer (TE and CEI)

As of the Effective Time, the following persons shall be elected as additional outside directors of Holding Company:

Samuel G. Carson — Director (TE)

Leigh Carter — Director (CEI)

Chester Devenow — Director (TE)

Edwin D. Dodd — Director (TE)

Roy H. Holdt — Director (CEI)

Charles E. Spahr — Director (CEI)

Allan J. Tomlinson, Jr. — Director (CEI)

Richard B. Tullis — Director (CEI)

William J. Williams — Director (CEI)

The Utility Company that has designated the above-named directors and officers of Holding Company is shown in parentheses after each person's name and office and prior to the Effective Time such Utility Company may substitute another person (in the case of an officer, another officer of such Utility Company, and in the case of an outside director, another person who is not a present or retired officer or employee of such Utility Company) for any such person designated by it.

1.3 Organization of Merger Companies. As promptly as practicable following the execution of this Reorganization Agreement, the Merger Companies shall be organized as follows:

(a) East, an Ohio corporation, the authorized capital stock of which shall consist of 100 shares of common stock, without par value, of which 100 shares shall be issued and sold to the Holding Company at a price of $1.00 per share. The forms of the Articles of Incorporation and Regulations of East are attached hereto as Exhibits E and F.

(b) West, an Ohio corporation, the authorized capital stock of which shall consist of 50 shares of common stock, without par value, of which 50 shares shall be issued and sold to the Holding Company at a price of $1.00 per share. The forms of the Articles of Incorporation and Regulations of West are attached hereto as Exhibits G and H.

1.4 Actions of Directors and Officers. As promptly as practicable following the execution of this Reorganization Agreement, CEI and TE shall designate the directors and officers of East and West, respectively; and shall cause Holding Company to elect the directors of East and West; the directors of East and West to elect such officers; the directors of Holding Company to ratify and approve this Reorganization Agreement and to approve the forms of the Merger Agreements; the Merger Agreements to be executed on behalf of each of the Constituent Corporations; and the directors and officers of the Merger Companies to take such steps as may be necessary to complete the organization of the Merger Companies and to approve the Merger Agreements.

1.5 Actions of Corporate Shareholders. As promptly as practicable following the execution of this Reorganization Agreement, CEI and TE, as the holders of 100 percent of the outstanding stock of Holding Company, shall cause Holding Company to approve this Reorganization Agreement, and shall cause Holding Company, as the sole shareholder of each of the Merger Companies, to adopt the Merger Agreements.

ARTICLE II

Representations and Warranties of CEI

CEI hereby represents and warrants to TE the following:

2.1 Organization, Existence, and Authority. CEI is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio. True, accurate, and complete copies of the currently effective Articles of Incorporation and Regulations of CEI, including all amendments thereto, have heretofore been delivered to TE by CEI. CEI has full corporate power and authority to own its assets and properties and to engage in the business and activities now conducted, and as now proposed to be conducted, by it. CEI is duly qualified to do business as a foreign corporation in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the financial condition, results of operations, or conduct of the business of CEI, and CEI is in good standing in each jurisdiction in which it is so qualified to do business. CEI does not except as set forth in the CEI Disclosure Letter (as defined below) have any subsidiaries that are, either individually or in the aggregate, material to its business or assets.

2.2 Capitalization. The authorized capital stock of CEI consists of a total of 112,000,000 shares, as follows: (a) 105,000,000 shares of common stock, without par value ("CEI Common"), of which 76,331,478 shares were issued and outstanding at May 31, 1985, 3,362,471 shares were reserved for issuance under employee saving, thrift and stock option plans at May 31, 1985 (options to purchase 600,643 of such shares having been granted at May 31, 1985), 3,872,411 shares were reserved for issuance under the CEI Dividend Reinvestment and Stock Purchase Plan at May 31, 1985, and no shares were held in its treasury at May 31, 1985; (b) 4,000,000 shares of serial preferred stock, without par value ("CEI Serial Preferred Stock"), of which 1,919,000 shares are issued and outstanding and no shares are held in its treasury; and (c) 3,000,000 shares of serial preference

stock, without par value ("CEI Serial Preference Stock"), of which 45,600 shares are issued and outstanding and no shares are held in the treasury (CEI Serial Preferred Stock and CEI Serial Preference Stock are hereinafter sometimes collectively referred to as "CEI Preferred"). All of the issued and outstanding shares of CEI Common and CEI Preferred are validly issued, fully paid, and nonassessable, and are not issued in violation of the pre-emptive rights of any shareholder. CEI has no classes of equity securities other than CEI Common and CEI Preferred, and there are no outstanding options, warrants, conversion rights, subscriptions, or other commitments of any kind obligating CEI to issue, directly or indirectly, any additional shares of its capital stock or other equity securities, except for the options and rights to purchase CEI Common under the CEI Key Employee Incentive Stock Plan, the CEI 1978 Key Employee Stock Option Plan, the CEI Employee Savings Plan, the CEI Employee Thrift Plan A and the CEI Dividend Reinvestment and Stock Purchase Plan, true, accurate and complete copies of which have heretofore been delivered to TE by CEI. CEI does not, directly or indirectly, own, control, or hold with the power to vote any shares of capital stock or beneficial equity interest in any other corporation, partnership (except nominee partnerships), or other entity except for any such ownership that is not material in relation to the business or assets of CEI. The total number of shares of CEI Common to be issued and outstanding immediately prior to March 16, 1986, including, but not limited to, all shares of CEI Common which would be issued pursuant to the exercise of all of the options and rights to purchase referred to above, and excluding treasury shares, will not exceed in the aggregate 81,600,000 shares of CEI Common. Between the date hereof and March 16, 1986, CEI may issue not more than $60 million in the aggregate of CEI Preferred.

2.3 **Financial Statements.** CEI has heretofore delivered to TE the following financial statements (collectively, the "CEI Financial Statements"):

(a) Consolidated Balance Sheets of CEI as of December 31 for the years 1982, 1983 and 1984 (such statement as of December 31, 1984 is hereinafter sometimes referred to as the "December 31, 1984 Consolidated Balance Sheet") and the related Consolidated Income Statements, Consolidated Statements of Capitalization, and Statements of Changes in Financial Position for the years then ended, together with the notes thereto, all as certified by CEI's independent certified public accountants (the "Consolidated Financial Statements"); and

(b) The unaudited Consolidated Balance Sheet of CEI as of March 31, 1985 and the unaudited Consolidated Income Statements and Changes in Financial Position of CEI for the three months ended March 31, 1985 and 1984 included in Securities and Exchange Commission ("SEC") Form 10-Q filed by CEI.

Each of the CEI Financial Statements is true and correct in all material respects. Subject to the matters set forth in the Report of Independent Accountants on the Consolidated Financial Statements, the Consolidated Financial Statements present fairly, in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed in the notes thereto), the financial position and results of operations of CEI as of the dates and for the periods therein set forth. Except as and to the extent reflected or reserved against in the December 31, 1984 Consolidated Balance Sheet and the notes thereto, CEI did not at such date have any material liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise. The CEI Financial Statements do not, as of the dates thereof, include any material assets or omit to state any material liability, absolute or contingent, or other facts, which inclusion or omission renders the CEI Financial Statements, in light of the circumstances under which they were made, misleading. Except as set forth in the reports filed by CEI since December 31, 1984 and on or prior to the date hereof with the SEC pursuant to the Securities Exchange Act of 1934 (the "1934 Act") (the "CEI SEC Reports") or in the letter of even date delivered concurrently herewith from CEI to TE (the "CEI Disclosure Letter"), since December 31, 1984 there has been no material adverse change in the financial condition, results of operations or business of CEI, other than changes in the ordinary course of business none of which individually or in the aggregate has been materially adverse, nor

has there been any other event or condition of any character which has materially and adversely affected or is in the reasonable judgment of CEI's executive officers likely to materially and adversely affect the financial condition, results of operations or business of CEI.

2.4 Properties. CEI has good and marketable title to all of its material assets and properties, whether real or personal, tangible or intangible, free and clear of all liens, mortgages, pledges, claims, security interests, encumbrances, charges, or restrictions of any kind, except (a) as noted in the December 31, 1984 Consolidated Balance Sheet or the notes thereto; (b) statutory liens for taxes not yet due and payable; (c) security interests granted incident to borrowings by CEI; (d) as set forth in the CEI Disclosure Letter or the CEI SEC Reports; and (e) such liens, mortgages, pledges, claims, security interests, encumbrances, charges, and restrictions as are not, in the aggregate, material to the assets and properties of CEI. To the best of the knowledge of CEI and its executive officers after due inquiry, all buildings and all fixtures, equipment, and other properties and assets material to the business of CEI held under leases or subleases by CEI are held under valid instruments, and CEI enjoys quiet possession of all such leaseholds. Except for properties under construction, or being operated, for multiple members of the Central Area Power Coordination Group (the "CAPCO Properties"), all buildings, structures, fixtures, and appurtenances and equipment comprising part of the real and personal properties of CEI are in good condition and have been well maintained, except to the extent that the failure to do so would not have a material adverse effect on the operations or conduct of the business of CEI. Set forth in the CEI Disclosure Letter is a list of all material construction projects in progress as of the date hereof relating to buildings, structures, fixtures, and appurtenances comprising the real properties or the personal property of CEI other than the CAPCO Properties, together with a statement of the current estimated completion costs of, current estimated dates of completion of, and amounts spent through December 31, 1984 on each such project. As of the Effective Time, the aggregate of all costs (spent and estimated) in connection with all such projects will not have materially increased. CEI either owns or leases all real and personal properties necessary for the continued conduct of its business in substantially the same manner as it has been conducted to date.

2.5 Employees and Employee Benefits. Except as set forth in the CEI Disclosure Letter, CEI is not a party to or bound by any written or oral (a) employment or consulting contract (including, without limitation, any collective bargaining contract or union agreement) which is not unilaterally terminable by CEI without payment or penalty of any kind on notice of sixty (60) days or less, (b) employee bonus, deferred compensation, stock purchase, or stock option plan or agreement, (c) pension, retirement, or profit-sharing plan (whether qualified or non-qualified), or (d) other employee current or deferred compensation or stock benefit plan. Unless otherwise indicated in the CEI Disclosure Letter, all such pension, retirement, stock purchase, and profit-sharing plans set forth in the CEI Disclosure Letter (hereinafter referred to collectively as the "CEI Plans") are qualified plans under Section 401(a) or (k) of the Code. Except as set forth in the CEI Disclosure Letter, to the best of the knowledge of CEI and its executive officers, (a) the CEI Plans are in full compliance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) all notices, reports, and other filings required to be delivered or filed under applicable law with respect to the CEI Plans have been duly and timely delivered or filed, and (c) there exists no fact or circumstance which would adversely affect the CEI Plans' qualified status or compliance as above described, and no "reportable event" (as such term is defined in Section 4043(b) of ERISA) or "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975(b) of the Code) has occurred since January 1, 1985. The CEI Plans satisfy the minimum funding standards set forth in the Code and ERISA and the vested liability of the CEI Plans, based on appropriate actuarial analysis, is now, and will as of the Effective Time be, fully funded. The CEI Disclosure Letter contains a true and correct list of the names and current base annual rates of compensation of present directors, officers, and employees of CEI whose base annual compensation on the date hereof is in excess of sixty thousand dollars ($60,000), and the date and amount of any change in salary or other element of compensation of such individuals since January 1, 1985. CEI has previously delivered to TE true, correct, and complete copies of each of the employee benefit arrange-

ments set forth in the CEI Disclosure Letter, including the CEI Plans, and any trust agreement relating to any such CEI Plan.

2.6 Insurance. Except as set forth in the CEI Disclosure Letter, CEI has maintained and is now maintaining with financially responsible insurance companies insurance on its tangible assets and its business in such amounts and against such risks and losses as is customary for companies engaged in the electric utility industry and the ownership or operation of nuclear-fueled electric generating capacity.

2.7 Intellectual Property. Except as set forth in the CEI Disclosure Letter, no patents, trademarks, trade secrets, service marks, trade names, copyrights, licenses, inventions, drawings, or designs owned by CEI or in which CEI has an interest are material to the business of CEI.

2.8 Contracts and Commitments; No Violations. Except for matters relating to the CAPCO Properties, and except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, CEI is not a party to or bound by any material written or oral (a) lease or license with respect to any property, real or personal, whether as lessor, lessee, licensor, or licensee, calling for payments exceeding $100,000 per year during the term of that agreement; (b) contracts or commitments for capital expenditures in excess of $5,000,000 for any one project; (c) contract or option for the purchase or sale of any real or personal property other than in the ordinary course of business; or (d) other contract, commitment, or agreement made outside the ordinary course of business, except as contemplated by this Reorganization Agreement. CEI has performed in all material respects all obligations required to be performed by it to date, and is not in default in any material respect under, and no event has occurred which, with the lapse of time or action by a third party, could result in a default under, any outstanding indenture, mortgage, lease, plan, contract, commitment, or agreement to which CEI is a party or by which it is bound or under any provision of the Articles of Incorporation or Regulations of CEI, the consequences of which default would be materially adverse to CEI, and each such outstanding indenture, mortgage, lease, plan, contract, commitment, or agreement is a valid, legally binding obligation of CEI and, to the best of the knowledge of CEI and its executive officers, the other party or parties thereto.

2.9 Litigation and Claims. Except as set forth in the CEI Disclosure Letter or the CEI SEC Reports and except for matters described in this Section 2.9 pending, threatened or asserted against both CEI and TE, (a) CEI is not subject to any material order of any federal, state, municipal, or local court or other governmental agency, including, without limitation, orders of any regulatory authority; (b) there is no litigation, action, suit, investigation, or proceeding pending or, to the best of the knowledge and belief of CEI and its executive officers, and after due inquiry, threatened against or affecting or involving any of the properties or assets of CEI, at law or in equity or before any federal, state, municipal, or local court or other governmental agency, which would have a material and adverse effect on the condition (financial or other), business, properties, assets, results of operations or liabilities of CEI; (c) no one has asserted any claims against CEI based upon the wrongful action or inaction of CEI or any of its officers, directors, or employees (including, without limitation, claims alleging negligence as a fiduciary or breach of a fiduciary duty) which would have a material and adverse effect on the condition (financial or other), business, properties, assets, results of operations or liabilities of CEI; and (d) no one has asserted any claims against CEI which have resulted or may result in litigation that will prevent or delay the consummation of the Mergers.

2.10 Conduct of Business. Except for matters relating to the CAPCO Properties and except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, CEI has not, since December 31, 1984, (a) issued or sold any of its capital stock or any corporate debt securities; (b) granted any option for the purchase of its capital stock; (c) declared, set aside, or paid any dividend or other distribution in respect of its capital stock (other than regular quarterly cash dividends on CEI Common and CEI Preferred which have been declared and paid not in violation of the provisions of Section 5.5 of this Agreement), or, directly or indirectly, purchased, redeemed, or otherwise acquired any shares of

such stock; (d) incurred any material obligation or liability (absolute or contingent) except normal trade or business obligations or liabilities incurred in the ordinary course of business, or mortgaged, pledged, or subjected to lien, claim, security interest, charge, encumbrance, or restriction (other than the lien of CEI's Indenture of Mortgage or statutory liens for taxes not yet due and payable) any of its assets or properties, except in the ordinary course of business; (e) discharged or satisfied any material lien, mortgage, pledge, claim, security interest, charge, encumbrance, or restriction or paid any material obligation or liability (absolute or contingent), other than in the ordinary course of business or other than current liabilities included in the December 31, 1984 Consolidated Balance Sheet, current liabilities incurred since the date thereof in the ordinary course of business, and liabilities incurred in carrying out the transactions contemplated by this Reorganization Agreement; (f) sold, assigned, transferred, leased, exchanged, or otherwise disposed of any of its material properties or assets other than for a fair consideration in the ordinary course of business; (g) other than in connection with the normal administration of its salary program, made any general wage or salary increase, increased the compensation of any director, officer, or employee named on the list set forth in the CEI Disclosure Letter as provided for in Section 2.5 hereof, entered into any employment contract with any officer or salaried employee, or instituted any employee welfare, bonus, stock option, profit-sharing, retirement, or similar plan or arrangement; (h) suffered any damage, destruction, or loss, whether as a result of fire, explosion, earthquake, accident, casualty, labor trouble, requisition or taking of property by any government or any agency of any government, flood, windstorm, embargo, riot or act of God or the public enemy, or other similar or dissimilar casualty or event or otherwise, and whether or not covered by insurance, materially and adversely affecting the business, property, or assets of CEI; (i) cancelled or compromised any material debt or claim, other than in the ordinary course of business; (j) waived any material rights of value, other than in the ordinary course of business; (k) except in the ordinary course of business, entered into, or agreed to enter into, any agreement or arrangement granting any preferential right to purchase any of its assets, properties, or rights or requiring the consent of any party to the transfer or assignment of any such assets, properties, or rights; (l) merged into, consolidated with, or sold a substantial part of its assets to, any other corporation or person, or permitted any other corporation to be merged or consolidated with it; (m) entered into any transaction, contract, or commitment outside the ordinary course of its business except as expressly contemplated by this Reorganization Agreement; (n) acquired or sold any real estate, real estate options, leaseholds, or leasehold improvements, except in the ordinary course of business and for fair value; (o) terminated, discontinued, closed, or disposed of any material facility or business operation; (p) introduced any material change with respect to the operation of its business, including, without limitation, its method of accounting; (q) suffered any material adverse change in its financial condition or results of operations or in its assets, properties, business, or operations (and there has been no occurrence, circumstance, or combination thereof, whether arising prior to or after December 31, 1984, which in the reasonable judgment of CEI's executive officers might reasonably be expected to result in any such material adverse change before or after the Effective Time); or (r) revalued any of its material assets (whether tangible or intangible).

2.11 Validity of Agreements. CEI has all necessary corporate power and authority to enter into this Reorganization Agreement and the East Merger Agreement and, subject to the approval of the merger with East by the shareholders of CEI as required by law, to perform all of the obligations to be performed by it hereunder. This Reorganization Agreement has been, and the East Merger Agreement will be, duly and validly executed and delivered by CEI, and this Reorganization Agreement does and the East Merger Agreement will constitute valid and legally binding obligations of CEI, enforceable against CEI in accordance with their terms (except as enforceability 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). This Reorganization Agreement and the East Merger Agreement and the consummation hereof and thereof have been duly authorized and approved on behalf of CEI by all requisite corporate action, other than approval of the shareholders of CEI as

required by Section 4.5 of this Reorganization Agreement. Provided the required approvals of agencies of any government, including, without limitation, the Regulatory Approvals as defined in Section 4.3, are obtained and the offering, sale, and delivery of the shares of Holding Company Common Stock to be issued in connection with the Mergers are duly registered pursuant to the Securities Act of 1933 (the "1933 Act") and, if required, any applicable state securities laws, neither the execution and delivery by CEI of this Reorganization Agreement and the East Merger Agreement nor the consummation by CEI of the merger with East will conflict with, result in the breach of, constitute a default under, or accelerate the performance provided by the terms of any law, any rule or regulation of any government or agency of any government, or any judgment, order, or decree of any court or other agency of any government to which CEI may be subject; any material contract, material agreement, or material instrument to which CEI is a party or by which CEI is bound or committed; or the Articles of Incorporation or Regulations of CEI. Neither the execution and delivery of this Reorganization Agreement and the East Merger Agreement, nor the consummation of the merger with East will constitute an event which, with the lapse of time or action by a third party, could result in the default by CEI under any of the foregoing or result in the creation of any lien, charge, or encumbrance upon any of the material assets or properties of CEI.

2.12 Compliance with Laws and Orders. Except with respect to matters relating to the CAPCO Properties, and except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, (a) CEI has complied with all laws, regulations, and orders (including, without limitation, zoning ordinances, building codes, and environmental, civil rights, and occupational health and safety laws and regulations) applicable to it and to the conduct of its business, except where the failure to so comply would not in the reasonable judgment of CEI's executive officers have a material adverse effect on the financial condition, results of operations, or conduct of the business of CEI, and (b) CEI is not in default under, and no event has occurred which, with the lapse of time or action by a third party, could result in a default under, the terms of any judgment, decree, order or writ of any agency of any government or court, whether federal, state, municipal, or local and whether at law or in equity, the consequences of which would be materially adverse to CEI.

2.13 Taxes. Except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, CEI has (a) timely filed all tax returns, reports, schedules, declarations, and documents (all hereinafter "returns") that are required to have been filed on or before the date of this Reorganization Agreement by any taxing jurisdictions to which it is or has been subject; (b) timely paid in full all taxes shown on such returns and all tax assessments (except those being contested in good faith) and any interest and penalties with respect thereto, and timely made any deposits of estimated tax required by such taxing jurisdictions; (c) adequately reserved in accordance with generally accepted accounting principles on its balance sheet for the payment of all taxes, including interest and penalties, whether disputed or otherwise, for any completed taxable period that are not yet due; (d) made timely payments of the taxes required to be deducted and withheld from the wages paid to its employees; and (e) otherwise satisfied in all material respects all legal requirements applicable to CEI with respect to each aforementioned obligation to taxing jurisdictions. CEI has delivered to TE copies of its federal income and state gross receipts tax returns for taxable years beginning in calendar years 1981 through 1983, inclusive, which, unless so indicated, have not been amended. Except as set forth in the CEI Disclosure Letter, CEI has not agreed to an extension that has not expired by its terms of the period or periods of limitation for which any assessment of taxes may be made by the Internal Revenue Service. The Internal Revenue Service has completed examinations of the federal income tax returns of CEI for all taxable years through the taxable year ended December 31, 1982. Except as set forth in the CEI Disclosure Letter or CEI SEC Reports, CEI is not a party to any pending action or proceeding with respect to a liability for taxes, nor, to the best of the knowledge and belief of CEI and its executive officers, after due inquiry, (a) have any claims been asserted with respect to taxes of CEI, nor (b) does CEI have reasonable basis to anticipate that any such claims will be asserted. For purposes of this paragraph, "tax" and "taxes" shall include all income, gross receipts, franchise, excise, real and personal property, and other taxes imposed by any federal, state, municipal, local, or other governmental agency, including assessments in the nature of taxes.

2.14 Directors, Officers, and Affiliates. The name of each director, executive officer, and holder of five percent (5%) or more of the outstanding CEI Common is listed in the CEI Disclosure Letter, and CEI has identified each such person or holder who is, or may be, an "Affiliate" of CEI, as that term is used in Rules 144 and 145 promulgated under the 1933 Act.

2.15 Labor Controversies. Except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, there are no material controversies pending or, to the best of the knowledge of CEI and its executive officers, and after due inquiry, threatened between CEI and any representatives of its employees, and, to the best of the knowledge and belief of CEI and its executive officers, and after due inquiry, there are no organizational efforts presently being made involving any of the presently unorganized employees of CEI. CEI has 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 CEI is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

2.16 Reports. CEI has duly filed all reports required to be filed by it with the SEC under the 1934 Act, and all such reports are complete and correct in all material respects, conform in all material respects with the requirements of the 1934 Act and the Rules and Regulations thereunder, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.17 Accuracy of Information. The statements contained in the CEI Disclosure Letter and in any other written documents delivered by or on behalf of CEI pursuant to the terms of this Reorganization Agreement are true and correct in all material respects, and the CEI Disclosure Letter and such other documents considered in the aggregate do not omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The statements contained in the CEI Disclosure Letter and such other documents shall be deemed to constitute representations and warranties of CEI under this Reorganization Agreement to the same extent as if herein set forth in full.

ARTICLE III

Representations and Warranties of TE

TE hereby represents and warrants to CEI the following:

3.1 Organization, Existence, and Authority. TE is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio. True, accurate, and complete copies of the currently effective Articles of Incorporation and Regulations of TE, including all amendments thereto, have heretofore been delivered to CEI by TE. TE has full corporate power and authority to own its assets and properties and to engage in the business and activities now conducted, and as now proposed to be conducted, by it. TE is duly qualified to do business as a foreign corporation in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the financial condition, results of operations, or conduct of the business of TE, and TE is in good standing in each jurisdiction in which it is so qualified to do business. TE does not, except as set forth in the TE Disclosure Letter (as defined below), have any subsidiaries that are, either individually or in the aggregate, material to its business or assets.

3.2 Capitalization. The authorized capital stock of TE consists of a total of 80,000,000 shares, as follows: (a) 60,000,000 shares of common stock, par value $5.00 per share ("TE Common"), of which 37,994,247 shares were issued and outstanding at May 31, 1985, no shares were reserved for issuance under the TE Savings Incentive Plan and the TE Employee Stock Ownership Plan at May 31, 1985, and no shares were held in its treasury at May 31, 1985; (b) 3,000,000 shares of cumulative preferred stock, par value $100.00 per share, and 12,000,000 shares of cumulative preferred stock, par value $25.00 per share (collectively, the "TE Cumulative Preferred Stock"), of which 1,834,915 shares of TE Cumulative Preferred Stock, par value $100.00 per share, are issued and outstanding and 15,085 shares are held in its treasury, and 7,000,000 shares of TE Cumulative Preferred Stock, par value $25.00 per share, are issued and outstanding and no shares are held in its treasury; and (c) 5,000,000 shares of cumulative preference stock, par value $25.00 per share ("TE Cumulative Preference Stock"), of which no shares are issued and outstanding and no shares are held in the treasury (TE Cumulative Preferred Stock and TE Cumulative Preference Stock are hereinafter sometimes collectively referred to as "TE Preferred"). All of the issued and outstanding shares of TE Common and TE Preferred are validly issued, fully paid, and nonassessable, and are not issued in violation of the preemptive rights of any shareholder. TE has no classes of equity securities other than TE Common and TE Preferred, and there are no outstanding options, warrants, conversion rights, subscriptions, or other commitments of any kind obligating TE to issue, directly or indirectly, any additional shares of its capital stock or other equity securities, except for the rights to purchase TE Common under the TE Savings Incentive Plan, the TE Dividend Reinvestment and Stock Purchase Plan and the TE Employee Stock Ownership Plan, true, accurate and complete copies of which have heretofore been delivered to CEI by TE. TE does not, directly or indirectly, own, control, or hold with the power to vote any shares of capital stock or beneficial equity interest in any other corporation, partnership (except nominee partnerships), or other entity except for any such ownership that is not material in relation to the business or assets of TE. The total number of shares of TE Common to be issued and outstanding immediately prior to March 16, 1986, excluding treasury shares, will not exceed in the aggregate 41,800,000 shares. Between the date hereof and March 16, 1986, TE may issue not more than $60 million in the aggregate of TE Preferred.

3.3 Financial Statements. TE has heretofore delivered to CEI the following financial statements (collectively, the "TE Financial Statements"):

(a) Balance Sheets of TE as of December 31 for the years 1982, 1983 and 1984 (such statement as of December 31, 1984 is hereinafter sometimes referred to as the "December 31, 1984 TE Balance Sheet") and the related Statements of Results of Operations, Statements of Earnings Reinvested, Statements of Source of Funds Invested in Plant and Facilities, and Statements of Capitalization for the years then ended, together with the notes thereto, all as certified by TE's independent certified public accountants (the "Audited TE Financial Statements"); and

(b) The unaudited Balance Sheet and Statement of Capitalization of TE as of March 31, 1985 and the unaudited Statements of Results of Operations and Statements of Source of Funds Invested in Plant and Facilities of TE for the three months ended March 31, 1985 and 1984 included in SEC Form 10-Q filed by TE.

Each of the TE Financial Statements is true and correct in all material respects. Subject to the matters set forth in the Auditor's Report on the Audited TE Financial Statements, the Audited TE Financial Statements present fairly, in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed in the notes thereto), the financial position and results of operations of TE as of the dates and for the periods therein set forth. Except as and to the extent reflected or reserved against in the December 31, 1984 TE Balance Sheet and the notes thereto, TE did not at such date have any material liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise. The TE Financial Statements do not, as of the dates thereof, include any material assets or omit to state any material liability, absolute or contingent, or other facts, which inclusion or omission renders the TE Financial Statements, in light of the

circumstances under which they were made, misleading. Except as set forth in the reports filed by TE since December 31, 1984 and on or prior to the date hereof with the SEC pursuant to the 1934 Act (the "TE SEC Reports") or in the letter of even date delivered concurrently herewith from TE to CEI (the "TE Disclosure Letter"), since December 31, 1984 there has been no material adverse change in the financial condition, results of operations or business of TE, other than changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse, nor has there been any other event or condition of any character which has materially and adversely affected or is in the reasonable judgment of TE's executive officers likely to materially and adversely affect the financial condition, results of operations or business of TE.

3.4 Properties. TE has good and marketable title to all of its material assets and properties, whether real or personal, tangible or intangible, free and clear of all liens, mortgages, pledges, claims, security interests, encumbrances, charges, or restrictions of any kind, except (a) as noted in the December 31, 1984 TE Balance Sheet or the notes thereto; (b) statutory liens for taxes not yet due and payable; (c) security interests granted incident to borrowings by TE; (d) as set forth in the TE Disclosure Letter or the TE SEC Reports; and (e) such liens, mortgages, pledges, claims, security interests, encumbrances, charges, and restrictions as are not, in the aggregate, material to the assets and properties of TE. To the best of the knowledge of TE and its executive officers after due inquiry, all buildings and all fixtures, equipment, and other properties and assets material to the business of TE held under leases or subleases by TE are held under valid instruments, and TE enjoys quiet possession of all such leaseholds. Except for the CAPCO Properties, all buildings, structures, fixtures, and appurtenances and equipment comprising part of the real and personal properties of TE are in good condition and have been well maintained, except to the extent that the failure to do so would not have a material adverse effect on the operations or conduct of the business of TE. Set forth in the TE Disclosure Letter is a list of all material construction projects in progress as of the date hereof relating to buildings, structures, fixtures, and appurtenances comprising the real properties or the personal property of TE other than the CAPCO Properties, together with a statement of the current estimated completion costs of, current estimated dates of completion of, and amounts spent through December 31, 1984, each such project. As of the Effective Time, the aggregate of all costs (spent and estimated) in connection with all such projects will not have materially increased. TE either owns or leases all real and personal properties necessary for the continued conduct of its business in substantially the same manner as it has been conducted to date.

3.5 Employees and Employee Benefits. Except as set forth in the TE Disclosure Letter, TE is not a party to or bound by any written or oral (a) employment or consulting contract (including, without limitation, any collective bargaining contract or union agreement) which is not unilaterally terminable by TE without payment or penalty of any kind on notice of sixty (60) days or less, (b) employee bonus, deferred compensation, stock purchase, or stock option plan or agreement, (c) pension, retirement, or profit-sharing plan (whether qualified or non-qualified), or (d) other employee current or deferred compensation or stock benefit plan. Unless otherwise indicated in the TE Disclosure Letter, all such pension, retirement, stock purchase, and profit-sharing plans set forth in the TE Disclosure Letter (hereinafter referred to collectively as the "TE Plans") are qualified plans under Section 401(a) or (k) of the Code. Except as set forth in the TE Disclosure Letter, to the best of the knowledge of TE and its executive officers, (a) the TE Plans are in full compliance with ERISA, (b) all notices, reports, and other filings required to be delivered or filed under applicable law with respect to the TE Plans have been duly and timely delivered or filed, and (c) there exists no fact or circumstance which would adversely affect the TE Plans' qualified status or compliance as above described, and no "reportable event" (as such term is defined in Section 4043(b) of ERISA) or "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975(b) of the Code) has occurred since January 1, 1985. The TE Plans satisfy the minimum funding standards set forth in the Code and ERISA and the vested liability of the TE Plans, based on appropriate actuarial analysis is now, and will as of the Effective Time be, totally funded. The TE Disclosure Letter contains a true and correct list of the names and current base annual rates of compensation of present directors, officers, and employees of TE whose base annual compensation on the date

hereof is in excess of sixty thousand dollars ($60,000), and the date and amount of any change in salary or other element of compensation of such individuals since January 1, 1985. TE has previously delivered to CEI true, correct, and complete copies of each of the employee benefit arrangements set forth in the TE Disclosure Letter, including the TE Plans, and any trust agreement relating to any such TE Plan.

3.6 Insurance. Except as set forth in the TE Disclosure Letter, TE has maintained and is now maintaining with financially responsible insurance companies, insurance on its tangible assets and its business in such amounts and against such risks and losses as is customary for companies engaged in the electric utility industry and the ownership or operation of nuclear-fueled electric generating capacity.

3.7 Intellectual Property. Except as set forth in the TE Disclosure Letter, no patents, trademarks, trade secrets, service marks, trade names, copyrights, licenses, inventions, drawings, or designs owned by TE or in which TE has an interest are material to the business of TE.

3.8 Contracts and Commitments; No Violations. Except for matters relating to the CAPCO Properties, and except as set forth in the TE Disclosure Letter or the TE SEC Reports, TE is not a party to or bound by any material written or oral (a) lease or license with respect to any property, real or personal, whether as lessor, lessee, licensor, or licensee, calling for payments exceeding $100,000 per year during the term of that agreement; (b) contracts or commitments for capital expenditures in excess of $5,000,000 for any one project; (c) contract or option for the purchase or sale of any real or personal property other than in the ordinary course of business; or (d) other contract, commitment, or agreement made outside the ordinary course of business, except as contemplated by this Reorganization Agreement. TE has performed in all material respects all obligations required to be performed by it to date, and is not in default in any material respect under, and no event has occurred which, with the lapse of time or action by a third party, could result in a default under, any outstanding indenture, mortgage, lease, plan, contract, commitment, or agreement to which TE is a party or by which it is bound or under any provision of the Articles of Incorporation or Regulations of TE, the consequences of which default would be materially adverse to TE, and each such outstanding indenture, mortgage, lease, plan, contract, commitment, or agreement is a valid, legally binding obligation of TE and, to the best of the knowledge of TE and its executive officers, the other party or parties thereto.

3.9 Litigation and Claims. Except as set forth in the TE Disclosure Letter or the TE SEC Reports and except for matters described in this Section 3.9 pending, threatened, or asserted against both TE and CEI, (a) TE is not subject to any material order of any federal, state, municipal, or local court or other governmental agency, including, without limitation, orders of any regulatory authority; (b) there is no litigation, action, suit, investigation, or proceeding pending or, to the best of the knowledge and belief of TE and its executive officers, and after due inquiry, threatened against or affecting or involving any of the properties or assets of TE, at law or in equity or before any federal, state, municipal, or local court or other governmental agency, which would have a material and adverse effect on the condition (financial or other), business, properties, assets, results of operations or liabilities of TE; (c) no one has asserted any claims against TE based upon the wrongful action or inaction of TE or any of its officers, directors, or employees (including, without limitation, claims alleging negligence as a fiduciary or breach of a fiduciary duty) which would have a material and adverse effect on the condition (financial or other), business, properties, assets, results of operations or liabilities of TE; and (d) no one has asserted any claims against TE which have resulted or may result in litigation that will prevent or delay the consummation of the Mergers.

3.10 Conduct of Business. Except for matters relating to the CAPCO Properties and except as set forth in the TE Disclosure Letter or the TE SEC Reports, TE has not, since December 31, 1984, (a) issued or sold any of its capital stock or any corporate debt securities; (b) granted any option for the purchase of its capital stock; (c) declared, set aside, or paid any dividend or other distribution

in respect of its capital stock (other than regular quarterly cash dividends on TE Common and TE Preferred which have been declared and paid not in violation of the provisions of Section 6.5 of this Agreement), or, directly or indirectly, purchased, redeemed, or otherwise acquired any shares of such stock; (d) incurred any material obligation or liability (absolute or contingent) except normal trade or business obligations or liabilities incurred in the ordinary course of business, or mortgaged, pledged, or subjected to lien, claim, security interest, charge, encumbrance, or restriction (other than the lien of TE's Indenture of Mortgage or statutory liens for taxes not yet due and payable) any of its assets or properties, except in the ordinary course of business; (e) discharged or satisfied any material lien, mortgage, pledge, claim, security interest, charge, encumbrance, or restriction or paid any material obligation or liability (absolute or contingent), other than in the ordinary course of business or other than current liabilities included in the December 31, 1984 TE Balance Sheet, current liabilities incurred since the date thereof in the ordinary course of business, and liabilities incurred in carrying out the transactions contemplated by this Reorganization Agreement; (f) sold, assigned, transferred, leased, exchanged, or otherwise disposed of any of its material properties or assets other than for a fair consideration in the ordinary course of business; (g) other than in connection with the normal administration of its salary program, made any general wage or salary increase, increased the compensation of any director, officer, or employee named on the list set forth in the TE Disclosure Letter as provided for in Section 3.5 hereof, entered into any employment contract with any officer or salaried employee, or instituted any employee welfare, bonus, stock option, profit-sharing, retirement, or similar plan or arrangement; (h) suffered any damage, destruction, or loss, whether as a result of fire, explosion, earthquake, accident, casualty, labor trouble, requisition or taking of property by any government or any agency of any government, flood, windstorm, embargo, riot or act of God or the public enemy, or other similar or dissimilar casualty or event or otherwise, and whether or not covered by insurance, materially and adversely affecting the business, property, or assets of TE; (i) cancelled or compromised any material debt or claim, other than in the ordinary course of business; (j) waived any material rights of value, other than in the ordinary course of business; (k) except in the ordinary course of business, entered into, or agreed to enter into, any agreement or arrangement granting any preferential right to purchase any of its assets, properties, or rights or requiring the consent of any party to the transfer or assignment of any such assets, properties, or rights; (l) merged into, consolidated with, or sold a substantial part of its assets to, any other corporation or person, or permitted any other corporation to be merged or consolidated with it; (m) entered into any transaction, contract, or commitment outside the ordinary course of its business except as expressly contemplated by this Reorganization Agreement; (n) acquired or sold any real estate, real estate options, leaseholds, or leasehold improvements, except in the ordinary course of business and for fair value; (o) terminated, discontinued, closed, or disposed of any material facility or business operation; (p) introduced any material change with respect to the operation of its business, including, without limitation, its method of accounting; (q) suffered any material adverse change in its financial condition or results of operations or in its assets, properties, business, or operations (and there has been no occurrence, circumstance, or combination thereof, whether arising prior to or after December 31, 1984, which might in the reasonable judgment of TE's executive officers reasonably be expected to result in any such material adverse change before or after the Effective Time); or (r) revalued any of its material assets (whether tangible or intangible).

3.11 **Validity of Agreements.** TE has all necessary corporate power and authority to enter into this Reorganization Agreement and the West Merger Agreement and, subject to the approval of the merger with West by the shareholders of TE as required by law, to perform all of the obligations to be performed by it hereunder. This Reorganization Agreement has been, and the West Merger Agreement will be, duly and validly executed and delivered by TE, and this Reorganization Agreement does and the West Merger Agreement will constitute valid and legally binding obligations of TE, enforceable against TE in accordance with their terms (except as enforceability 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). This Reorganization Agreement and the West Merger Agreement and

the consummation hereof and thereof have been duly authorized and approved on behalf of TE by all requisite corporate action, other than approval of the shareholders of TE as required by Section 4.5 of this Reorganization Agreement. Provided the required approvals of agencies of any government, including, without limitation, the Regulatory Approvals as defined in Section 4.3, are obtained and the offering, sale, and delivery of the shares of Holding Company Common Stock to be issued in connection with the Mergers are duly registered pursuant to the 1933 Act and, if required, any applicable state securities laws, neither the execution and delivery by TE of this Reorganization Agreement and the West Merger Agreement nor the consummation by TE of the Mergers will conflict with, result in the breach of, constitute a default under, or accelerate the performance provided by the terms of any law, any rule or regulation of any government or agency of any government, or any judgment, order, or decree of any court or other agency of any government to which TE may be subject; any material contract, material agreement, or material instrument to which TE is a party or by which TE is bound or committed; or the Articles of Incorporation or Regulations of TE. Neither the execution and delivery of this Reorganization Agreement and the West Merger Agreement, nor the consummation of the merger with West will constitute an event which, with the lapse of time or action by a third party, could result in the default by TE under any of the foregoing or result in the creation of any lien, charge, or encumbrance upon any of the material assets or properties of TE.

3.12 Compliance with Laws and Orders. Except with respect to matters relating to the CAPCO Properties, and except as set forth in the TE Disclosure Letter or the TE SEC Reports, (a) TE has complied with all laws, regulations, and orders (including, without limitation, zoning ordinances, building codes, and environmental, civil rights, and occupational health and safety laws and regulations) applicable to it and to the conduct of its business, except where the failure to so comply would not in the reasonable judgment of TE's executive officers have a material adverse effect on the financial condition, results of operations, or conduct of the business of TE, and (b) TE is not in default under, and no event has occurred which, with the lapse of time or action by a third party, could result in a default under, the terms of any judgment, decree, order or writ of any agency of any government or court, whether federal, state, municipal, or local and whether at law or in equity, the consequences of which would be materially adverse to TE.

3.13 Taxes. Except as set forth in the TE Disclosure Letter or the TE SEC Reports, TE has (a) timely filed all tax returns, reports, schedules, declarations, and documents (all hereinafter "returns") that are required to have been filed on or before the date of this Reorganization Agreement by any taxing jurisdictions to which it is or has been subject; (b) timely paid in full all taxes shown on such returns and all tax assessments (except those being contested in good faith), and any interest and penalties with respect thereto, and timely made any deposits of estimated tax required by such taxing jurisdictions; (c) adequately reserved in accordance with generally accepted accounting principles on its balance sheet for the payment of all taxes, including interest and penalties, whether disputed or otherwise, for any completed taxable period that are not yet due; (d) made timely payments of the taxes required to be deducted and withheld from the wages paid to its employees; and (e) otherwise satisfied in all material respects all legal requirements applicable to TE with respect to each aforementioned obligation to taxing jurisdictions. TE has delivered to CEI copies of its federal income and state gross receipts tax returns for its taxable years beginning in calendar years 1981 through 1983, inclusive, which, unless so indicated, have not been amended. Except as set forth in the TE Disclosure Letter, TE has not agreed to an extension that has not expired by its terms of the period or periods of limitation for which an assessment of taxes may be made by the Internal Revenue Service. The Internal Revenue Service has completed examinations of the federal income tax returns of TE for all taxable years through the taxable year ended December 31, 1980. Except as set forth in the TE Disclosure Letter or TE SEC Reports, TE is not a party to any pending action or proceeding with respect to a liability for taxes, nor, to the best of the knowledge and belief of TE and its executive officers, after due inquiry, (a) have any claims been asserted with respect to taxes of TE, nor (b) does TE have reasonable basis to anticipate that any such claims will be asserted. For purposes of this paragraph, "tax" and "taxes" shall include all

income, gross receipts, franchise, excise, real and personal property, and other taxes imposed by any federal, state, municipal, local, or other governmental agency, including assessments in the nature of taxes.

3.14 Directors, Officers, and Affiliates. The name of each director, executive officer, and holder of five percent (5%) or more of the outstanding TE Common is listed in the TE Disclosure Letter, and TE has identified each such person or holder who is, or may be, an "Affiliate" of TE, as that term is used in Rules 144 and 145 promulgated under the 1933 Act.

3.15 Labor Controversies. Except as set forth in the TE Disclosure Letter or the TE SEC Reports, there are no material controversies pending or, to the best of the knowledge of TE and its executive officers, and after due inquiry, threatened between TE and any representatives of its employees, and, to the best of the knowledge and belief of TE and its executive officers, and after due inquiry, there are no organizational efforts presently being made involving any of the presently unorganized employees of TE. TE has 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 TE is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

3.16 Reports. TE has duly filed all reports required to be filed by it with the SEC under the 1934 Act, and all such reports are complete and correct in all material respects, conform in all material respects with the requirements of the 1934 Act and the Rules and Regulations thereunder, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.17 Accuracy of Information. The statements contained in the TE Disclosure Letter and in any other written documents delivered by or on behalf of TE pursuant to the terms of this Reorganization Agreement are true and correct in all material respects, and the TE Disclosure Letter and such other documents considered in the aggregate do not omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The statements contained in the TE Disclosure Letter and such other documents shall be deemed to constitute representations and warranties of TE under this Reorganization Agreement to the same extent as if herein set forth in full.

ARTICLE IV

Mutual Covenants and Agreements

CEI and TE hereby covenant and agree and, by reason of its adoption of this Reorganization Agreement as contemplated by Section 1.4 hereof, shall cause Holding Company to agree, as follows:

4.1 Cooperation. Neither party to this Reorganization Agreement will undertake any course of action to hinder or impede the satisfaction of the requirements or conditions applicable to it set forth in this Reorganization Agreement, and both parties will promptly take all such reasonable measures as may be necessary or appropriate to enable them to perform as early as possible the obligations to be performed hereunder. Subject to the terms and conditions of this Reorganization Agreement and the Merger Agreements, CEI and TE shall use all reasonable efforts to cause the Mergers to occur and will not undertake any course of action inconsistent with such intended result. While this Reorganization Agreement is in effect, prior to the Closing, CEI and TE will coordinate their financing plans and provide any appropriate and proper assistance to permit each Utility Company to finance its capacity addition commitments at the lowest possible cost.

4.2 Confidentiality. All information which is not in the public domain ("Confidential Information") furnished by one party to the other (whether before or after the date of this Reorganization Agreement) in connection with this Reorganization Agreement and the transactions contemplated hereby will be kept strictly confidential by such other party (and will be used by it only in connection with this Reorganization Agreement and the transactions contemplated hereby) except to the extent that such Confidential Information is required to be disclosed in any document filed with the SEC or any other agency of any government, provided that prior to any such disclosure each Utility Company will use its best efforts to advise and consult with the other Utility Company with respect to such disclosure. In the event that the transactions contemplated hereby shall fail to be consummated, CEI and TE shall use their best efforts to cause all copies of documents or extracts thereof containing Confidential Information as to the other party to be returned promptly to the party furnishing the same; provided that the investment bankers for each party may retain documents or extracts prepared by them so long as they agree to continue otherwise to be subject to the terms of this Section 4.2.

4.3 Regulatory Approvals.

(a) Holding Company, CEI and TE will cooperate in the preparation and filing of all materials necessary and desirable in order to obtain the Regulatory Approvals as soon as practicable after the date hereof. As used herein, the term "Regulatory Approvals" means the approval of the transactions contemplated by this Reorganization Agreement and the Merger Agreements or the disclaimer of jurisdiction with respect to such transactions by any regulatory body which, in the opinion of either CEI or TE, has jurisdiction over the transactions contemplated by this Reorganization Agreement or the Merger Agreements or from which CEI or TE desires to obtain a disclaimer of jurisdiction. No document shall be filed in connection with any of the Regulatory Approvals unless such document has been reviewed and approved by both CEI and TE.

(b) Holding Company will file with the SEC not later than the Effective Time a Form U-3A-2 pursuant to which Holding Company will claim an exemption as a holding company under Section 3(a)(1) of the 1935 Act and Rule U-2 promulgated pursuant thereto.

4.4 Tax Ruling. CEI and TE will prepare and file with the Internal Revenue Service as soon as practicable after the date hereof a joint request that the Internal Revenue Service issue rulings substantially to the effect that:

(a) For federal income tax purposes, the formation of East and West and their merger into CEI and TE, respectively, will be treated as a transfer of the CEI Common and TE Common by the holders thereof to Holding Company in exchange for Holding Company Common Stock representing control of Holding Company;

(b) No gain or loss will be recognized by the holders of CEI Common and TE Common upon the transfer of their shares to Holding Company in exchange for Holding Company Common Stock; and

(c) No gain or loss will be recognized by Holding Company upon the receipt of the CEI Common and the TE Common in exchange for Holding Company Common Stock.

4.5 Joint Proxy Materials and Registration Statement and Shareholder Approval of the Mergers.

(a) As promptly as practicable after the organization of Holding Company and the Merger Companies and the execution of the Merger Agreements by the Constituent Corporations, Holding Company, CEI and TE will file with the SEC preliminary joint proxy materials which will constitute joint proxy materials of the Utility Companies and a registration statement with respect to the Holding Company Common Stock to be issued in connection with the Mergers. As promptly as practicable after comments are received from the SEC on the pre-

be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing shares of Holding Company Common Stock as provided in Section 2.4 of the East Merger Agreement and Section 2.3 of the West Merger Agreement. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of Holding Company Common Stock into which the shares of Utility Company Common Stock theretofore represented by the Certificate so surrendered shall have been converted pursuant to the provisions of Article I of the Merger Agreements plus cash in lieu of fractional shares of Holding Company Common Stock as provided in Section 2.3 of the East Merger Agreement, and the Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of Utility Company Common Stock that is not registered on the transfer records of the respective Utility Companies, certificates representing the proper number of shares of Holding Company Common Stock may be issued to a transferee if the Certificate representing such Utility Company Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by any applicable stock transfer taxes.

4.7 CEI Stock Option Exercise After Mergers. Holding Company and CEI shall take all action as shall be necessary so that at the Effective Time the stock option plans of CEI shall be assumed and adopted by Holding Company, and the outstanding and unexercised CEI stock options will be adjusted so that (a) Holding Company will thereafter be substituted for CEI under the CEI stock options, and (b) each such CEI stock option shall at the Effective Time be converted into and become an option to purchase the number of shares of Holding Company Common Stock as provided in Section 2.6 of the East Merger Agreement. Holding Company shall at the Effective Time assume the obligations of CEI under each CEI stock option adjusted as provided above.

4.8 Information for S-8 Registration Statements. Each of the Utility Companies covenants that at the time the S-8 Registration Statements referred to in Section 7.3 below become effective, the S-8 Registration Statements and the prospectuses included therein, insofar in each case as they relate to each Utility Company and are based upon written information furnished by each Utility Company to Holding Company expressly for use in such Registration Statements, (a) will comply in all material respects with the provisions of the 1933 Act and the rules and regulations promulgated thereunder and (b) will not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary, in light of the circumstances under which they were made, to make the statements therein not misleading.

4.9 Capacity Rationalization. CEI and TE shall mutually develop, as soon as practicable and, in any event, no later than the Effective Time, an equitable program of capacity rationalization and joint economic dispatch which will be implemented forthwith upon the Closing. Such program will be designed to be mutually advantageous to the customers of both Utility Companies and to assure that: the relative capacity responsibilities of both Utility Companies will be in substantial balance both as to the total system capability in relationship to forecasted loads and as to the types of generation involved; financial parity will be achieved between the Utility Companies as to capacity costs per unit of sales; and the lowest cost energy available on the combined systems will be available for all customers of both Utility Companies at all times.

4.10 Employment Agreements and Employee Benefits. CEI and TE shall take all action as shall be necessary so that as of the Effective Time the Holding Company shall assume any employment agreements which have been entered into by CEI or TE with their executive officers, and to cause such agreements to be amended so as to permit fulfillment of the obligations of the employer thereunder by Holding Company. CEI and TE shall cause Holding Company to take such action as may be required to ensure that, following the Effective Time, employees of CEI and TE transferred

to Holding Company shall retain benefits equivalent to those they now receive. Except as otherwise provided in or permitted by this Reorganization Agreement and the Merger Agreements, CEI and TE will otherwise maintain their respective employee benefit plans, which may be amended or terminated as necessary or appropriate.

4.11 Consents and Amendments. If and to the extent necessary, each of the Utility Companies shall use its best efforts to obtain from the holders of outstanding notes, bonds, debentures and other securities and from the other party or parties to all indentures and other agreements to which it is a party, appropriate consents and waivers in writing to the transactions contemplated by this Reorganization Agreement and the Merger Agreements and/or such amendments, assignments or modifications of such documents as may be required in order that the Mergers shall not conflict therewith, result in a breach or termination of any provision thereof, result in any default thereunder, or result in the creation of any lien, pledge, claim, security interest, encumbrance, charge, or restriction on any of the properties or assets of the Utility Companies pursuant thereto.

4.12 Publicity. From and after the date of this Reorganization Agreement, neither of the Utility Companies shall issue any press release or make any public statements or mail any communications or letters to its shareholders generally relating to the transactions contemplated by this Agreement without the prior written approval of the other Utility Company, except as may otherwise be required by law, provided that with respect to any such communications required by law each Utility Company will use its best efforts to advise and consult with the other Utility Company prior to making such communication.

4.13 Supplements to Disclosure Letters. From time to time prior to the Effective Time, the Utility Companies will promptly supplement or amend their Disclosure Letters or otherwise give written information with respect to any matter hereafter arising that, if existing or occurring at the date of this Reorganization Agreement, would have been required to be set forth or described in such Disclosure Letters. No supplement or amendment to either Disclosure Letter shall have any effect for the purpose of determining satisfaction of the conditions set forth in Sections 9.1 and 10.1 hereof.

4.14 Dividend Reinvestment and Other Stock Plans. Prior to the Effective Time, CEI, TE and the Holding Company shall take all action as may be necessary in order to establish with respect to the Holding Company such dividend reinvestment and other stock purchase plans as the parties may agree and to file such registration statements pursuant to the 1933 Act and take such other action in connection therewith as may be appropriate in order to comply with all applicable federal or state securities or other laws or regulations.

ARTICLE V

Covenants and Agreements of CEI

CEI hereby covenants to TE as follows:

5.1 Access. From the date of this Reorganization Agreement, CEI will afford to the officers, attorneys, accountants, and other representatives of TE full and free access to the properties, books, contracts, commitments, and other records of CEI at all reasonable times during business hours, and such representatives of TE will be furnished true and complete copies of the same and with all such other information concerning the affairs of CEI as such representatives may reasonably request.

5.2 Documents and Information to Be Furnished by CEI. From the date of this Reorganization Agreement, CEI will furnish to TE promptly after such documents are available (a) the monthly financial statements of CEI (as prepared by CEI in accordance with its normal accounting procedures) and (b) all material filings or reports filed by CEI with federal, state, or other governmental agencies having supervisory or regulatory authority over the activities or securities of CEI. On request of TE, CEI will furnish to Holding Company and TE in connection with the preparation

of the applications for the Regulatory Approvals and the Proxy and Merger Registration Statement all information concerning CEI as is required to be set forth in such applications or is required under Section 14 of the 1934 Act to be set forth in the Proxy and Merger Registration Statement in connection with the transactions contemplated by this Reorganization Agreement.

5.3 Documents and Information. All statements, documents, records, or other information furnished to Holding Company or TE by CEI pursuant to Section 5.2 or otherwise under this Reorganization Agreement will be true, accurate, and complete in all material respects and, in the case of financial statements of CEI, will have been prepared in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed in the notes thereto) and will fairly present the financial position and results of operations of CEI as of the dates and for the periods set forth therein, subject to such qualifications as may be noted.

5.4 Interim Operations. Except as set forth in the CEI Disclosure Letter, from the date of this Agreement until the Effective Time, CEI will (a) maintain and keep its properties in accordance with the standards set forth in the third sentence of Section 2.4; (b) maintain in full force and effect insurance in accordance with the standards set forth in Section 2.6; (c) perform in all material respects all of its obligations under contracts, leases, and documents relating to or affecting its assets, properties, and business; (d) use its best efforts to maintain and preserve its business organization intact, to retain its present employees, and to maintain its relationships with customers; (e) comply in all material respects with and perform in all material respects all obligations and duties imposed upon it by all federal, state, municipal, and local laws and all rules, regulations, and orders imposed by federal, state, municipal, or local governmental agencies, except to the extent such matters are being reasonably contested in good faith; and (f) carry on its business in substantially the same manner as it did during the year ended December 31, 1984.

5.5 Action Prior to Effective Time. Unless consented to in writing by TE or expressly contemplated by this Reorganization Agreement or the CEI Disclosure Letter or the CEI SEC Reports, from the date of this Reorganization Agreement until and to the Effective Time, CEI shall not (a) permit any change to be made in the Articles of Incorporation or Regulations of CEI or (b) engage in any activity or enter into any transaction which would be inconsistent with any of the representations and warranties set forth in Section 2.10 of this Reorganization Agreement as if such representations and warranties were made at a time subsequent to such activity or transaction and all references to the date of this Reorganization Agreement were deemed to be to such later time.

Notwithstanding any other provision of this Reorganization Agreement, CEI may declare (and pay, at, prior or subsequent to the Effective Time, if the record date is prior to the Effective Time) a cash dividend on CEI Common not in excess of $0.63 per share or any other amount expressly contemplated by the CEI Disclosure Letter for any fiscal quarter until the Effective Time or the termination of this Reorganization Agreement and required cash dividends on CEI Preferred for any fiscal quarter until the Effective Time or the termination of this Reorganization Agreement, each of which CEI dividends, if any, under this clause shall be payable in the same month as the comparable quarterly dividend on CEI Common or CEI Preferred was payable in 1984, and the record date for such dividend shall be the same as, or the business day closest to the record date for the comparable quarterly dividend on CEI Common or CEI Preferred in 1984.

ARTICLE VI

Covenants and Agreements of TE

TE hereby covenants to CEI as follows:

6.1 Access. From the date of this Reorganization Agreement, TE will afford to the officers, attorneys, accountants, and other representatives of CEI full and free access to the properties, books, contracts, commitments, and other records of TE at all reasonable times during business

hours, and such representatives of CEI will be furnished true and complete copies of the same and with all such other information concerning the affairs of TE as such representatives may reasonably request.

6.2 Documents and Information to Be Furnished by TE. From the date of this Reorganization Agreement, TE will furnish to CEI promptly after such documents are available (a) the monthly financial statements of TE (as prepared by TE in accordance with its normal accounting procedures) and (b) all material filings or reports filed by TE with federal, state, or other governmental agencies having supervisory or regulatory authority over the activities or securities of TE. On request of CEI, TE will furnish to Holding Company and CEI in connection with the preparation of the applications for the Regulatory Approvals and the Proxy and Merger Registration Statement all information concerning TE as is required to be set forth in such applications or is required under Section 14 of the 1934 Act to be set forth in the Proxy and Merger Registration Statement in connection with the transactions contemplated by this Reorganization Agreement.

6.3 Documents and Information. All statements, documents, records, or other information furnished to Holding Company or CEI by TE pursuant to Section 6.2 or otherwise under this Reorganization Agreement will be true, accurate, and complete in all material respects and, in the case of financial statements of TE, will have been prepared in accordance with generally accepted accounting principles (applied on a consistent basis except as disclosed in the notes thereto) and will fairly present the financial position and results of operations of TE as of the dates and for the periods set forth therein, subject to such qualifications as may be noted.

6.4 Interim Operations. Except as set forth in the TE Disclosure Letter, from the date of this Agreement until the Effective Time, TE will (a) maintain and keep its properties in accordance with the standards set forth in the third sentence of Section 3.4; (b) maintain in full force and effect insurance in accordance with the standards set forth in Section 3.6; (c) perform in all material respects all of its obligations under contracts, leases, and documents relating to or affecting its assets, properties, and business; (d) use its best efforts to maintain and preserve its business organization intact, to retain its present employees, and to maintain its relationships with customers; (e) comply in all material respects with and perform in all material respects all obligations and duties imposed upon it by all federal, state, municipal, and local laws and all rules, regulations, and orders imposed by federal, state, municipal, or local governmental agencies, except to the extent such matters are being contested in good faith; and (f) carry on its business in substantially the same manner as it did during the year ended December 31, 1984.

6.5 Action Prior to Effective Time. Unless consented to in writing by CEI or expressly contemplated by this Reorganization Agreement or the TE Disclosure Letter or the TE SEC Reports, from the date of this Reorganization Agreement until and to the Effective Time, TE shall not (a) permit any change to be made in the Articles of Incorporation or Regulations of TE or (b) engage in any activity or enter into any transaction which would be inconsistent with any of the representations and warranties set forth in Section 3.10 of this Reorganization Agreement as if such representations and warranties were made at a time subsequent to such activity or transaction and all references to the date of this Reorganization Agreement were deemed to be to such later time.

Notwithstanding any other provision of this Reorganization Agreement, TE may declare (and pay, at, prior or subsequent to the Effective Time, if the record date is prior to the Effective Time) a cash dividend on TE Common not in excess of $0.63 per share or any other amount expressly contemplated by the TE Disclosure Letter for any fiscal quarter until the Effective Time or the termination of this Reorganization Agreement and required cash dividends on TE Preferred for any fiscal quarter until the Effective Time or the termination of this Reorganization Agreement, each of which TE dividends, if any, under this clause shall be payable in the same month as the comparable quarterly dividend on TE Common or TE Preferred was payable in 1984, and the record date for such dividend shall be the same as, or the business day closest to the record date for the comparable quarterly dividend on TE Common or TE Preferred in 1984.

ARTICLE VII

COVENANTS AND AGREEMENTS OF HOLDING COMPANY

By reason of its adoption of this Reorganization Agreement as contemplated by Section 1.4 hereof, Holding Company shall covenant to CEI and TE as follows:

7.1 Contribution of Stock. At the Effective Time, Holding Company shall issue and deliver to the Merger Companies or their order, as a contribution to the Merger Companies, stock certificates representing the number of shares of Holding Company Common Stock necessary to effect the exchanges contemplated by Article I of the Merger Agreements.

7.2 Listing of Holding Company Common Stock. Holding Company shall use its best efforts to effect, at or before the Effective Time, authorization for listing on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange, subject to notice of issuance, of the shares of Holding Company Common Stock issuable in connection with the Mergers.

7.3 S-8 Registration Statements. Holding Company will file with the SEC Registration Statements on Form S-8 (the "S-8 Registration Statements") under the 1933 Act relating to the shares of Holding Company Common Stock to be issued pursuant to stock options to be assumed by Holding Company as provided in Section 2.6 of the East Merger Agreement and will use its best efforts to cause the S-8 Registration Statements to become effective. Holding Company represents and warrants that at the time the S-8 Registration Statements become effective, the S-8 Registration Statements and the prospectuses included therein, as amended or supplemented by any amendment or supplement filed by Holding Company, (a) will comply in all material respects with the provisions of the 1933 Act and the rules and regulations promulgated thereunder and (b) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.4 Cooperation. Subject to the terms and conditions of this Reorganization Agreement and the Merger Agreements, Holding Company shall use all reasonable efforts to cause the Mergers to occur and will not undertake any course of action inconsistent with such intended result.

7.5 Indemnification and Insurance. Holding Company shall take no action to effect any change adverse to directors, officers and employees of the Utility Companies in the provisions of the Regulations of the Utility Companies existing on the date of this Reorganization Agreement providing indemnification with respect to the period prior to the Effective Time, and Holding Company will endeavor to cause the insurance policies now in effect providing directors' and officers' insurance for directors, officers and employees of the Utility Companies to be continued in effect to the extent possible for the remainder of the current term thereof.

7.6 Return of Information; Confidentiality. In the event of termination of this Agreement, Holding Company shall deliver promptly to each Utility Company all documents and other material obtained by Holding Company or on its behalf from each of the Utility Companies as a result of this Reorganization Agreement or in connection herewith and will not directly or indirectly use any information so obtained and will use its best efforts to have any information so obtained kept confidential.

ARTICLE VIII

CLOSING

8.1 Closing. The closing ("Closing") of the transactions contemplated by this Reorganization Agreement shall be held at the offices of Squire, Sanders and Dempsey in Cleveland, Ohio, and shall be effected as promptly as practicable within the thirty (30) day period commencing with the latest of the following dates:

(a) receipt of the Regulatory Approvals referred to in Section 4.3 of this Reorganization Agreement;

(b) such other date as may be prescribed by any federal or state agency or authority, pursuant to any applicable federal or state law, rule, or regulation, prior to which consummation of the transactions contemplated by this Reorganization Agreement may not be effected;

(c) approval of the Mergers and adoption of this Reorganization Agreement and the Merger Agreements by the shareholders of both CEI and TE; or

(d) the date upon which all other conditions to the Closing contained in this Reorganization Agreement shall have been satisfied or waived.

8.2 Effective Time of the Mergers. The parties hereto agree to use their best efforts to take, on or prior to the Closing, all such actions and to execute and deliver all such instruments and documents, as may be necessary or advisable, on the advice of counsel, to cause the Effective Time, subject to consummation at the Closing, to occur as soon as practicable.

ARTICLE IX

CONDITIONS TO THE OBLIGATIONS OF CEI

The obligations of CEI under this Reorganization Agreement to cause the transactions contemplated herein to be consummated shall be, at CEI's option, subject to the satisfaction of the following conditions at or before the Effective Time, except as any such conditions may be waived in writing by CEI in accordance with Section 13.7 of this Agreement.

9.1 Representations, Warranties, and Covenants. All representations and warranties of TE in this Reorganization Agreement shall be true, accurate, and complete in all material respects both as of the date hereof and as of the Effective Time (with the same force and effect as if such representations and warranties were made anew at and as of the Effective Time, except for the effect of transactions contemplated in this Reorganization Agreement or the TE Disclosure Letter). The information and data set forth in the Proxy and Merger Registration Statement which relates to TE shall contain no material misstatement of fact and shall not omit to state any material fact necessary to make the statements made therein not misleading, and TE shall have performed or complied with all covenants, agreements, and conditions to be performed or complied with by it prior to the Effective Time. TE shall have furnished CEI a certificate, signed by the Chairman and President of TE and dated the date of the Closing, to the foregoing effect.

9.2 Dissenters' Rights. The holders of no more than five percent (5%) of the outstanding shares of either CEI or TE stock entitled to vote on the Mergers shall, at the Effective Time, be entitled to assert statutory dissenters' rights under Section 1701.85 of the Ohio Revised Code.

9.3 Corporate Actions of TE. All of the corporate actions referred to in Sections 1.4, 1.5 and 4.5 of this Reorganization Agreement shall have been duly accomplished. TE shall deliver to CEI a certificate of the Secretary of TE as to the details of the TE actions referred to in such Sections of this Reorganization Agreement.

9.4 Opinion of Counsel. CEI shall have received an opinion of counsel for TE, dated the date of the Closing, substantially to the effect set forth in Exhibit I hereto.

9.5 Comfort Letters. CEI shall have received from Arthur Andersen & Co., independent auditors for TE, letters dated the effective date of the Proxy and Merger Registration Statement and the Effective Time substantially to the effect set forth in Exhibit J hereto.

9.6 Fairness Opinion. CEI shall have received letters from its investment banking firm referred to in Section 13.2, dated the dates of the Proxy and Merger Registration Statement and the Closing, in form and substance satisfactory to CEI, to the effect that, in the opinion of such firm, the exchange ratios of the Mergers are fair to the common shareholders of CEI from a financial point of view.

9.7 No Material Adverse Change. Notwithstanding the disclosure thereof pursuant to the provisions of this Reorganization Agreement, since the date hereof, there shall have been no material adverse change, or discovery of a condition or the occurrence of an event which has resulted or can reasonably be expected to result in such change, in the financial condition, results of operations, business or property of TE, other than changes expressly permitted under or contemplated by this Reorganization Agreement.

9.8 Litigation. At the Effective Time, there shall not be in effect any order restraining, enjoining or prohibiting the consummation of the transactions contemplated by this Reorganization Agreement.

9.9 Consents and Approvals. There shall have been received by CEI and TE all consents, amendments, or modifications referred to in Section 4.11 of this Reorganization Agreement and all Regulatory Approvals required in accordance with Section 4.3 shall have been obtained and there shall be no agreement, contract, license, lease, franchise, permit or other instrument of Holding Company, TE or CEI material to the business of Holding Company, TE, or CEI as to which the respective interest of Holding Company, TE or CEI will be impaired by the Mergers.

ARTICLE X

CONDITIONS TO THE OBLIGATIONS OF TE

The obligations of TE under this Reorganization Agreement to cause the transactions contemplated herein to be consummated shall be, at TE's option, subject to the satisfaction of the following conditions at or before the Effective Time, except as any such conditions may be waived in writing by TE in accordance with Section 13.7 of this Agreement.

10.1 Representations, Warranties, and Covenants. All representations and warranties of CEI in this Reorganization Agreement shall be true, accurate, and complete in all material respects both as of the date hereof and as of the Effective Time (with the same force and effect as if such representations and warranties were made anew at and as of the Effective Time, except for the effect of transactions contemplated in this Reorganization Agreement or the CEI Disclosure Letter), the information and data set forth in the Proxy and Merger Registration Statement which relates to CEI and the CEI Subsidiaries shall contain no material misstatement of fact and shall not omit to state any material fact necessary to make the statements made therein no misleading, and CEI shall have performed or complied with all covenants, agreements, and conditions to be performed or complied with by it prior to the Effective Time. CEI shall have furnished TE a certificate, signed by the Chairman and President of CEI and dated the date of the Closing, to the foregoing effect.

10.2 Dissenters' Rights. The holders of no more than five percent (5%) of the outstanding shares of either CEI or TE stock entitled to vote on the Mergers shall, at the Effective Time, be entitled to assert statutory dissenters' rights under Section 1701.85 of the Ohio Revised Code.

10.3 Corporate Actions of CEI. All of the corporate actions referred to in Sections 1.4, 1.5 and 4.5 of this Reorganization Agreement shall have been duly accomplished. CEI shall deliver to TE a certificate of the Secretary of CEI as to the details of CEI actions referred to in such Sections of this Reorganization Agreement.

10.4 Opinion of Counsel. TE shall have received an opinion of counsel for CEI, dated the date of the Closing, substantially to the effect set forth in Exhibit K hereto.

10.5 Comfort Letters. TE shall have received from Price Waterhouse, independent auditors for CEI, letters dated the effective date of the Proxy and Merger Registration Statement and the Effective Time substantially to the effect set forth in Exhibit J hereto.

10.6 Fairness Opinion. TE shall have received letters from its investment banking firm referred to in Section 13.2, dated the date of the Proxy and Merger Registration Statement and the Closing, in form and substance satisfactory to TE, to the effect that, in the opinion of such firm the exchange ratios of the Mergers are fair to the common shareholders of TE from a financial point of view.

10.7 No Material Adverse Change. Notwithstanding the disclosure thereof pursuant to the provisions of this Reorganization Agreement, since the date hereof, there shall have been no material adverse change, or discovery of a condition or the occurrence of an event which has resulted or can reasonably be expected to result in such a change, in the financial condition, results of operations, business or property of CEI, other than changes expressly permitted under or contemplated by this Reorganization Agreement.

10.8 Litigation. At the Effective Time there shall not be in effect any order restraining, enjoining or prohibiting the consummation of the transactions contemplated by this Reorganization Agreement.

10.9 Consents and Approvals. There shall have been received by TE and CEI all consents, amendments, or modifications referred to in Section 4.11 of this Reorganization Agreement and all Regulatory Approvals required in accordance with Section 4.3 shall have been obtained, and there shall be no agreement, contract, license, lease, franchise, permit or other instrument of Holding Company, CEI or TE material to the business of Holding Company, CEI, or TE as to which the respective interest of Holding Company, CEI or TE will be impaired by the Mergers.

ARTICLE XI

Conditions to the Obligations of Both Parties

In addition to the provisions of Articles IX and X hereof, the obligations of CEI and TE to cause the transactions contemplated herein to be consummated, shall be, at the option of either party hereto, subject to the satisfaction of the following conditions at or before the Effective Time:

11.1 Regulatory Approvals. The parties hereto shall have received all necessary Regulatory Approvals of the transactions contemplated by this Reorganization Agreement, and each of such approvals shall be in full force and effect at the Effective Time, and not subject to any condition which, in the judgment of either Utility Company reasonably exercised, requires the taking or refraining from taking any action which from an economic standpoint is unreasonable or unduly burdensome.

11.2 Shareholder Approval. This Reorganization Agreement and the Merger Agreements shall have been adopted and approved by the shareholders of CEI and TE as described in Section 4.5 hereof.

11.3 Effectiveness of the Proxy and Merger Registration Statement. The Proxy and Merger Registration Statement shall have become effective pursuant to an order of the SEC. There shall have been no stop order issued by the SEC suspending the effectiveness of the Proxy and Merger Registration Statement, and no proceeding for such stop order shall be pending, and any solicitation

of votes of the shareholders of CEI and TE for the meetings described in Section 4.5 hereof shall have been made by means of the Proxy and Merger Registration Statement complying with the 1933 Act and Regulation 14A of the SEC under the 1934 Act delivered to each such shareholder not fewer than twenty (20) nor more than sixty (60) days before the date of such meeting.

11.4 Opinion of Counsel for Holding Company. CEI and TE shall have received an opinion of Squire, Sanders & Dempsey, counsel for Holding Company, dated the date of the Closing, substantially to the effect set forth in Exhibit L hereto.

11.5 Comfort Letters from Accountants for Holding Company. CEI and TE shall have received from the Holding Company Accountants letters dated the effective date of the Proxy and Merger Registration Statement and the Effective Time substantially to the effect set forth in Exhibit M hereto.

11.6 Tax Ruling. TE and CEI shall have received from the Internal Revenue Service rulings in form and substance satisfactory to TE and CEI to the effect set forth in Section 4.4 of this Reorganization Agreement.

11.7 NYSE Listing. The Holding Company Common Stock issuable in connection with the Mergers shall have been approved for listing on the New York Stock Exchange, subject to notice of issuance.

ARTICLE XII

TERMINATION AND EFFECT OF TERMINATION

12.1 Termination of Reorganization Agreement and Merger Agreements. This Reorganization Agreement and the Merger Agreements may be terminated at any time prior to the Effective Time, whether before or after the meetings of the shareholders of the Utility Companies referred to in Section 4.5 above, and such terminations shall be effective upon the receipt of written notice thereof by the terminating party to the other parties hereto specifying the reason for such termination:

(a) By the mutual consent of the Boards of Directors of the Utility Companies;

(b) By the Board of Directors of either of the Utility Companies if the transactions contemplated by this Reorganization Agreement and the Merger Agreements shall not have been consummated on or prior to March 15, 1986; or

(c) By the Board of Directors of either Utility Company if a condition to the obligation of such Utility Company to consummate the transactions hereby contemplated cannot, in their reasonable judgment, be satisfied on or prior to March 15, 1986.

12.2 Effect of Termination. In the event that this Reorganization Agreement shall be terminated pursuant to Section 12.1 hereof, all further obligations of Holding Company and the Utility Companies under this Reorganization Agreement shall terminate without further liability of Holding Company or either of the Utility Companies except for the obligations of Holding Company and the Utility Companies under Sections 4.2, 7.6, 13.3 and 13.4 hereof.

12.3 Right to Proceed. Anything in this Reorganization Agreement to the contrary notwithstanding, if any of the conditions specified in Article IX, X or XI hereof have not been satisfied, Holding Company and the Utility Companies, in addition to any other rights which may be available to them, shall have the right to waive such condition and to proceed with the Mergers.

ARTICLE XIII

MISCELLANEOUS

13.1 Survival of Representations and Warranties. The representations and warranties contained in Articles II and III of this Reorganization Agreement and in the CEI and TE Disclosure

Letters and certificates delivered pursuant to this Reorganization Agreement shall expire on, and be terminated and extinguished at, the Effective Time; provided, however, that any representation or warranty in any agreement, contract, report, opinion, undertaking, or similar document delivered under this Reorganization Agreement in whole or in part by any person other than Holding Company, CEI or TE (or officers thereof) shall not so terminate and shall not be so extinguished; and provided further that, in the case of the consummation of the Mergers, no representation or warranty provided for herein shall be deemed to be terminated or extinguished so as to deprive Holding Company, CEI or TE of any defense in law or equity which it otherwise would have to any claim against it by any person, including, without limitation, any shareholder or former shareholder of either CEI or TE, the representations and warranties aforesaid (except to the extent that they shall have been waived in accordance herewith) being material inducements to the consummation by CEI and TE of the Mergers and other transactions contemplated hereby.

13.2 **Investment Bankers.** Holding Company and each of the Utility Companies represent that, except for the persons or organizations listed below, they have not employed any investment bankers, brokers, finders or intermediaries in connection with the transactions contemplated hereby who might be entitled to a fee from Holding Company or either of the Utility Companies or any commission upon the consummation of the transactions contemplated hereby:

Company	Persons or Organizations
CEI	Morgan Stanley & Co. Incorporated
TE	Merrill Lynch Capital Markets Merrill Lynch, Pierce Fenner & Smith Incorporated

13.3 **Utility Company Expenses.** All legal and other costs and expenses incurred in connection with this Reorganization Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses except that the fees and disbursements of the Holding Company Accountants in connection with the preparation of proforma combined financial statements contained in the Proxy and Merger Registration Statement and the printing costs in connection with this Reorganization Agreement, the Merger Agreements, and the Proxy and Merger Registration Statement and the prospectus included therein shall be paid two-thirds by CEI and one-third by TE if for any reason the Mergers are not consummated.

13.4 **Holding Company Expenses.** In the event of termination of this Reorganization Agreement or the Merger Agreements, all legal, accounting and filing fees and other costs and expenses incurred by Holding Company in connection with this Reorganization Agreement and the transactions contemplated hereby shall be paid two-thirds by CEI and one-third by TE.

13.5 **Notices.** Any notice or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by express mail, postage prepaid, return receipt requested, addressed as follows:

To Holding Company:

NORTH HOLDING COMPANY
c/o ROBERT M. GINN
The Cleveland Electric
Illuminating Company
Illuminating Building
55 Public Square
P.O. Box 5000
Cleveland, Ohio 44101

and

NORTH HOLDING COMPANY
c/o JOHN P. WILLIAMSON
The Toledo Edison Company
300 Madison Avenue
Toledo, Ohio 43652

To CEI or East:

The Cleveland Electric Illuminating Company
Illuminating Building
55 Public Square
P.O. Box 5000
Cleveland, Ohio 44101

Attention: ROBERT M. GINN,
Chairman and Chief
Executive Officer

or

East Merger Company
c/o The Cleveland Electric Illuminating Company
Illuminating Building
55 Public Square
P.O. Box 5000
Cleveland, Ohio 44101

Attention: ROBERT M. GINN,
Chairman and Chief
Executive Officer

To TE or West:

The Toledo Edison Company
300 Madison Avenue
Toledo, Ohio 43652

Attention: JOHN P. WILLIAMSON,
Chairman and Chief
Executive Officer

or

West Merger Company
c/o The Toledo Edison Company
300 Madison Avenue
Toledo, Ohio 43652

Attention: JOHN P. WILLIAMSON,
Chairman and Chief
Executive Officer

or such other address that shall be furnished in writing by either party, and any such notice or communication shall be deemed to have given only as of the date of receipt thereof.

13.6 Binding Effect and Assignment. This Reorganization Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Reorganization Agreement may not be assigned to any party without the consent of the other party.

13.7 Waiver and Amendment. Either party may, at any time prior to the Effective Time, by action taken by its directors or officers thereunto duly authorized, waive any of the terms or conditions of this Reorganization Agreement or agree to the amendment or modification of this Reorganization Agreement. This Reorganization Agreement may be amended before the meetings of shareholders of the Utility Companies contemplated by Section 4.5 hereof with respect to any of the terms contained herein; provided, however, that after a favorable vote by the shareholders of a Constituent Corporation any such amendment shall be agreed to by that Constituent Corporation only if, in the opinion of its directors or officers, such waiver or such amendment or modification will not have any material adverse effect on the benefits intended under this Reorganization Agreement and the Merger Agreements for the shareholders of such Constituent Corporation and will not require resolicitation of any proxies from such shareholders.

13.8 Actions By Holding Company Prior to Effective Time. Any action, agreement, waiver or judgment made by Holding Company under this Reorganization Agreement prior to the Effective Time shall be made only by unanimous action of the Board of Directors of Holding Company.

13.9 Entire Agreement. This Reorganization Agreement and the Merger Agreements supersede any other agreement, whether written or oral, that may have been made or entered into by any of the Utility Companies or by any officer or officers of such parties relating to the transactions contemplated by this Reorganization Agreement. This Reorganization Agreement and the exhibits

hereto and the Merger Agreements constitute the entire agreement by the parties, and there are no agreements or commitments except as set forth herein and therein.

13.10 Limitation on Rights. Except as otherwise specifically provided herein, nothing expressed or implied in this Reorganization Agreement is intended or shall be construed to confer upon or give any person, firm or corporation, other than the parties hereto and their respective shareholders and Holding Company, any rights or remedies under or by reason of this Reorganization Agreement or any transaction contemplated hereby.

13.11 Captions; Governing Law. The captions in this Reorganization Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Reorganization Agreement. This Reorganization Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

13.12 Counterparts. This Reorganization Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

IN WITNESS WHEREOF, the parties to this Reorganization Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors, have each caused this Reorganization Agreement to be executed by its Chairman and its Secretary.

THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY

By ROBERT M. GINN
Robert M. Ginn, Chairman

and

E. LYLE PEPIN
E. Lyle Pepin, Secretary

THE TOLEDO EDISON COMPANY

By JOHN P. WILLIAMSON
John P. Williamson, Chairman

and

STRATMAN COOKE
Stratman Cooke, Secretary

EXHIBIT A

EAST MERGER AGREEMENT

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EXHIBIT A

EAST MERGER AGREEMENT

THIS AGREEMENT OF MERGER ("Merger Agreement") is entered into as of , 1985, pursuant to Section 1701.78 of the Ohio Revised Code, by and among THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, an Ohio corporation ("CEI"), NORTH HOLDING COMPANY, an Ohio corporation ("Holding Company"), and EAST MERGER COMPANY, an Ohio corporation ("East") (the parties to this Merger Agreement are hereinafter sometimes collectively referred to as the "Constituent Corporations").

WITNESSETH:

WHEREAS, at the date of this Merger Agreement, Holding Company has an authorized capitalization consisting of (a) 150 shares of common stock without par value ("Holding Company Common Stock"), of which 150 shares are validly issued and outstanding and owned as follows: CEI — 100 shares; The Toledo Edison Company ("TE") — 50 shares, and (b) 100 shares of Serial Preferred Stock without par value, of which no shares are outstanding;

WHEREAS, immediately prior to the "Effective Time", as defined in Article III below, the authorized capitalization of Holding Company shall be increased to (a) 150,000,000 shares of Holding Company Common Stock and (b) 5,000,000 shares of Serial Preferred Stock;

WHEREAS, East is a wholly owned subsidiary of Holding Company;

WHEREAS, CEI and TE have entered into, and Holding Company has approved, an Agreement and Plan of Reorganization dated June 25, 1985 (the "Reorganization Agreement") providing for the mergers of East into CEI and West Merger Company ("West") into TE and resulting in CEI and TE becoming subsidiaries of Holding Company and the common shareholders of CEI and TE becoming common shareholders of Holding Company;

WHEREAS, the directors of each of the Constituent Corporations have heretofore approved and the shareholders of Holding Company and East have heretofore adopted the Reorganization Agreement and this Merger Agreement;

WHEREAS, at the date of this Merger Agreement, CEI has an authorized capitalization consisting of (a) 105,000,000 authorized shares of common stock, without par value ("CEI Common"); (b) 4,000,000 shares of serial preferred stock, without par value ("CEI Serial Preferred Stock"); and (c) 3,000,000 shares of serial preference stock, without par value ("CEI Serial Preference Stock") (CEI Serial Preferred Stock and CEI Serial Preference Stock are hereinafter sometimes collectively referred to as "CEI Preferred");

WHEREAS, at the date of this Merger Agreement, East has an authorized capitalization consisting of 100 shares of common stock, without par value ("East Common Stock"), of which 100 shares have been issued and are outstanding and are owned beneficially and of record by Holding Company;

NOW, THEREFORE, in consideration of the premises hereof and the mutual agreements contained herein and in the Reorganization Agreement, and in accordance with the laws of the State of Ohio, the Constituent Corporations have agreed, and do hereby agree that, subject to the terms and conditions of this Merger Agreement and the Reorganization Agreement, East shall be merged into CEI (the "Merger"), which shall be the corporation surviving the Merger (hereinafter sometimes referred to as the "Surviving Corporation"), the outstanding East Common Stock shall be converted into shares of CEI Common and the outstanding CEI Common shall be converted into Holding Company Common Stock, and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting and exchanging shares shall be as follows:

ARTICLE I

MERGER OF EAST INTO CEI

1.1 East shall be merged into CEI, CEI shall be the surviving corporation of the Merger, and the Surviving Corporation shall continue to have the name The Cleveland Electric Illuminating Company and be governed by the laws of the State of Ohio.

1.2 The East Common Stock issued and outstanding at the Effective Time shall thereupon and without more be converted into and become that number of common shares of the Surviving Corporation which shall be equivalent to the aggregate number of shares of CEI Common outstanding immediately prior to the Effective Time.

1.3 Each share of CEI Common issued and outstanding at the Effective Time (excluding any shares of CEI Common as to which a shareholder of CEI has perfected rights as a dissenting shareholder under Section 1701.85 of the Ohio Revised Code unless those rights are terminated otherwise than by purchase) shall thereupon and without more be converted into and become 1.11 shares of Holding Company Common Stock.

1.4 Each share of CEI Serial Preferred Stock and CEI Serial Preference Stock that shall be issued and outstanding immediately prior to the Effective Time (and each share of CEI Serial Preferred Stock and CEI Serial Preference Stock held in the treasury of CEI at the Effective Time) shall remain unchanged and shall continue to be one share of CEI Serial Preferred Stock and CEI Serial Preference Stock.

ARTICLE II

THE MERGER — MANNER AND EFFECT OF CONVERSION AND EXCHANGE

2.1 Cancellation of Initially Issued Holding Company Common Stock. The Holding Company Common Stock issued to and held by CEI immediately prior to the Effective Time shall be cancelled.

2.2 Cancellation of CEI Treasury Stock. Any shares of CEI Common which are held in the treasury of CEI at the Effective Time shall not be converted into Holding Company Common Stock but shall be cancelled.

2.3 Fractional Shares. Neither fractional shares of Holding Company Common Stock nor scrip therefor shall be issued to the holders of CEI Common in connection with the Merger. To the extent a holder of CEI Common would otherwise have been entitled to receive a fractional share of Holding Company Common Stock, such holder shall be entitled to receive payment in cash therefor, without interest, in an amount equal to such fraction multiplied by the closing price of Holding Company Common Stock on the New York Stock Exchange on the date of the Effective Time or, if such stock does not trade on such exchange on that date, on the first day after the date of the Effective Time that such stock trades on such exchange. Purchases of fractional interests pursuant to this Section 2.3 are merely intended to provide a mechanism for "rounding off" fractional shares and do not constitute separately bargained for consideration.

2.4 Surrender and Exchange of Certificates for CEI Common. At the Effective Time, the holders of certificates for shares of CEI Common shall cease to have any rights as shareholders of CEI (except such rights, if any, as they may have pursuant to Sections 1701.84 and 1701.85 of the Ohio Revised Code) and, except as aforesaid, their sole rights shall pertain to the shares of Holding Company Common Stock into which their shares of CEI Common shall have been converted by the Merger. After the Effective Time, each holder of an outstanding certificate or certificates for shares of CEI Common shall be entitled upon surrender of the same duly transmitted to AmeriTrust Company National Association, Cleveland, Ohio (the "Exchange Agent") to receive in exchange therefor a certificate or certificates representing the number of whole shares of Holding Company

Common Stock into which such holder's shares of CEI Common shall have been converted by the Merger and, if applicable, a cash payment determined in accordance with Section 2.3 hereof in lieu of a fractional share of Holding Company Common Stock. Pending such surrender and exchange, such holder's certificate or certificates for such shares of CEI Common shall be deemed for all corporate purposes, including the payment of dividends, to evidence the number of whole shares of Holding Company Common Stock into which such shares of CEI Common shall have been converted by the Merger and the rights in respect of any fractional interest resulting therefrom as provided herein.

2.5 Surrender and Exchange of East Common Stock. Immediately after the Effective Time and upon surrender by Holding Company of the certificates representing the East Common Stock owned and held by Holding Company, the Surviving Corporation shall deliver to Holding Company appropriate certificates representing the common stock of the Surviving Corporation resulting from the conversion of East Common Stock upon the Merger as provided in Section 1.2 hereof.

2.6 CEI Stock Options. Immediately upon the Effective Time there shall be substituted for each outstanding and unexercised option to purchase CEI Common heretofore granted pursuant to stock option plans of CEI an option to purchase Holding Company Common Stock. The number of shares of Holding Company Common Stock covered by such options shall be determined by multiplying 1.11 times the number of shares of CEI Common subject to such stock option immediately prior to the Effective Time. The purchase price for each share of Holding Company Common Stock shall be equal to the purchase price per share of CEI Common under the particular stock option agreement immediately prior to the Effective Time divided by 1.11. No other term or condition contained in such plans or in any option granted thereunder shall be modified or affected by the Merger, and, except as provided herein, the holders of options to purchase CEI Common shall not have any benefits additional to those which such holder had prior to the Effective Time, it being intended that after the Effective Time such options will comply with the requirements of Section 425(a) of the Internal Revenue Code of 1954, as amended, where applicable. Holding Company shall not issue any fractional share otherwise issuable upon the exercise of any such option, but shall make a cash payment in lieu thereof in an amount equal to such fraction multiplied by the closing price of Holding Company Common Stock on the New York Stock Exchange on the last trading day immediately prior to the date of exercise of the option.

2.7 Transfers. The stock transfer books of CEI with respect to CEI Common shall be closed at the Effective Time, and the shareholders of record of CEI Common as of that time shall be the shareholders entitled to conversion of their shares of CEI Common into shares of Holding Company Common Stock as herein provided. Except as hereinafter provided, no transfer or assignment of any shares of CEI Common will take place after the Effective Time until the certificates for such shares of CEI Common are exchanged for a certificate or certificates representing shares of Holding Company Common Stock. In the event of a transfer of ownership of any such CEI Common which is not registered in the stock transfer records of CEI, stock certificates representing Holding Company Common Stock may be issued to a transferee if the certificate representing such CEI Common is accompanied by all documents required to evidence and effect such transfer and by any applicable stock transfer taxes.

2.8 Certain Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided by the applicable provisions of Ohio law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time: the separate existence of East shall cease; the Surviving Corporation shall possess all assets and property of every description, and every interest therein, wherever located, and the rights, privileges, immunities, powers, franchises and authorities of a public, as well as of a private, nature of CEI and East; all obligations belonging to or due CEI and East shall be vested in, and become of the obligations of, the Surviving Corporation without further act or deed; title to any real estate or any interest therein vested in CEI or East shall not revert or in any way be impaired by reason of the Merger; all rights of creditors and all liens upon any

property of CEI and East shall be preserved unimpaired; and the Surviving Corporation shall be liable for all the obligations of CEI and East, and any claim existing, or action or proceeding pending, by or against CEI or East may be prosecuted to judgment with right of appeal as if the Merger had not taken place.

2.9 Further Assurances. If at any time contemporaneous with or after the Effective Time either the Surviving Corporation or Holding Company shall consider it to be advisable that any further conveyances, agreements, documents, instruments and assurances of law or any other things are necessary or desirable to vest, perfect, confirm or record in the Surviving Corporation the title to any property, rights, privileges, obligations, powers and franchises of CEI or East or otherwise to carry out the provisions of this Merger Agreement, the proper directors and officers of the Surviving Corporation or the proper directors and officers of East last in office shall execute and deliver, upon request of either the Surviving Corporation or Holding Company, any and all proper conveyances, agreements, documents, instruments and assurances of law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, obligations, powers and franchises in the Surviving Corporation and otherwise to carry out the provisions of this Merger Agreement.

2.10 Effect on CEI Preferred and Debt Instruments. The Merger shall not have any effect upon the CEI Preferred or upon the bonds, notes and other debt securities of CEI issued and outstanding immediately prior to the Effective Time, and all such securities shall remain unchanged and shall be the obligations of the Surviving Corporation after the Effective Time.

ARTICLE III

Effective Time of the Merger

If this Merger Agreement is duly adopted by the holders of shares of CEI Common as provided in Section 4.5 of the Reorganization Agreement, if the conditions set forth in Articles IX and XI of the Reorganization Agreement are duly satisfied, or waived by CEI, and if this Merger Agreement has not been terminated pursuant to Section 8.2 hereof, at the time specified in Section 8.1 of the Reorganization Agreement executed counterparts of this Merger Agreement, or conformed copies thereof, together with a certificate of merger duly executed in accordance with Section 1701.81(A) of the Ohio Revised Code, shall be filed by the Constituent Corporations with the Secretary of State of Ohio. The Effective Time shall be the time at which said certificate of merger is so filed.

ARTICLE IV

Articles of Incorporation

The Amended Articles of Incorporation of CEI, as in effect immediately prior to the Effective Time, shall constitute the "Articles" of the Surviving Corporation within the meaning of Section 1701.01(D) of the Ohio Revised Code and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof and applicable law.

ARTICLE V

Regulations

The Regulations of CEI, as in effect immediately prior to the Effective Time, shall constitute the Regulations of the Surviving Corporation and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof, the Articles of Incorporation of the Surviving Corporation and applicable law.

ARTICLE VI

Directors and Officers of the Surviving Corporation

The directors and officers of CEI in office at the Effective Time shall be the directors and officers of the Surviving Corporation after the Effective Time and shall continue in office in accordance with the Articles and Regulations of the Surviving Corporation and applicable law.

ARTICLE VII

Statutory Agent

The name and address of the statutory agent in Ohio upon whom any process, notice, or demand against any Constituent Corporation may be served are as follows:

Andrew Service Corporation
1800 Huntington Building
925 Euclid Avenue
Cleveland, Ohio 44115

ARTICLE VIII

Miscellaneous

8.1 Waiver and Amendment. Any Constituent Corporation may, at any time prior to the Effective Time, by action taken by its directors or officers thereunto duly authorized, waive any of the terms or conditions of this Merger Agreement and/or agree to the amendment or modification of this Merger Agreement; provided, however, that after a favorable vote by the shareholders of a Constituent Corporation any such action shall be taken by that Constituent Corporation only if, in the opinion of its directors or officers, such waiver or such amendment or modification will not have any material adverse effect on the benefits intended under this Merger Agreement for the shareholders of such party and will not require resolicitation of any proxies from such shareholders.

8.2 Termination. This Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time as provided in Article XII of the Reorganization Agreement. If the Reorganization Agreement is terminated in accordance with Article XII thereof, then this Merger Agreement shall simultaneously terminate and the Merger shall be abandoned without further action by the Constituent Corporations. In the event of termination of this Merger Agreement, the directors of the Constituent Corporations shall each direct their officers not to file this Merger Agreement or the certificate of merger in the Office of the Secretary of State of Ohio, notwithstanding favorable action by the shareholders of the respective Constituent Corporations.

8.3 Limitation on Rights. Except as otherwise specifically provided herein, nothing expressed or implied in this Merger Agreement is intended or shall be construed to confer upon or give any person, firm or corporation, other than the Constituent Corporations and their respective shareholders, any rights or remedies under or by reason of this Merger Agreement or any transactions contemplated hereby.

8.4 Captions; Governing Law. The captions in this Merger Agreement are for convenience only and shall not be considered a part or affect the construction or interpretation of any provision of this Merger Agreement. This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

8.5 Counterparts. This Merger Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall be considered one and the same agreement

and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Merger Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors, have each caused this Merger Agreement to be executed and attested by its Chairman and President.

NORTH HOLDING COMPANY

Attest:

_____
John P. Williamson, Chairman of the Board

By _____
Robert M. Ginn, President

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

Attest:

_____
Richard A. Miller, President

By _____
Robert M. Ginn, Chairman

EAST MERGER COMPANY

Attest:

_____
Richard A. Miller, President

By _____
Robert M. Ginn, Chairman

EXHIBIT B

WEST MERGER AGREEMENT

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EXHIBIT B

WEST MERGER AGREEMENT

THIS AGREEMENT OF MERGER ("Merger Agreement") is entered into as of , 1985, pursuant to Section 1701.78 of the Ohio Revised Code, by and among THE TOLEDO EDISON COMPANY, an Ohio corporation ("TE"); NORTH HOLDING COMPANY, an Ohio corporation ("Holding Company"); and WEST MERGER COMPANY, an Ohio corporation ("West") (all parties to this Merger Agreement are hereinafter sometimes collectively referred to as the "Constituent Corporations").

WITNESSETH:

WHEREAS, at the date of this Merger Agreement, Holding Company has an authorized capitalization consisting of (a) 150 shares of common stock without par value ("Holding Company Common Stock"), of which 150 shares are validly issued and outstanding and owned as follows: TE — 50 shares; The Cleveland Electric Illuminating Company ("CEI") — 100 shares, and (b) 100 shares of Serial Preferred Stock without par value, of which no shares are outstanding;

WHEREAS, immediately prior to the "Effective Time", as defined in Article III below, the authorized capitalization of Holding Company shall be increased to (a) 150,000,000 shares of Holding Company Common Stock and (b) 5,000,000 shares of Serial Preferred Stock;

WHEREAS, West is a wholly owned subsidiary of Holding Company;

WHEREAS, TE and CEI have entered into, and Holding Company has approved, an Agreement and Plan of Reorganization dated June 25, 1985 (the "Reorganization Agreement") providing for the mergers of West into TE and East Merger Company ("East") into CEI and resulting in TE and CEI becoming subsidiaries of Holding Company and the common shareholders of TE and CEI becoming common shareholders of Holding Company;

WHEREAS, the directors of each of the Constituent Corporations have heretofore approved and the shareholders of Holding Company and West have heretofore adopted the Reorganization Agreement and this Merger Agreement;

WHEREAS, at the date of this Merger Agreement, TE has an authorized capitalization consisting of (a) 60,000,000 shares of common stock, par value $5.00 per share ("TE Common"); (b) 3,000,000 shares of Cumulative Preferred Stock, par value $100.00 per share, and 12,000,000 shares of cumulative preferred stock, par value $25.00 per share (collectively, the "TE Cumulative Preferred Stock"); and (c) 5,000,000 shares of cumulative preference stock, par value $25.00 per share ("TE Cumulative Preference Stock") (TE Cumulative Preferred Stock and TE Cumulative Preference Stock are hereinafter sometimes collectively referred to as "TE Preferred");

WHEREAS, at the date of this Merger Agreement, West has an authorized capitalization consisting of 50 shares of common stock, without par value (the "West Common Stock"), of which 50 shares have been issued and are outstanding and are owned beneficially and of record by Holding Company;

NOW, THEREFORE, in consideration of the premises hereof and the mutual agreements contained herein and in the Reorganization Agreement, and in accordance with the laws of the State of Ohio, the Constituent Corporations have agreed, and do hereby agree that, subject to the terms and conditions hereinafter set forth, West shall be merged into TE (the "Merger"), which shall be the corporation surviving the Merger (hereinafter sometimes referred to as the "Surviving Corporation"), the outstanding West Common Stock shall be converted into shares of TE Common and the outstanding TE Common shall be converted into Holding Company Common Stock, and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting and exchanging shares shall be as follows:

ARTICLE I

MERGER OF WEST INTO TE

1.1 West shall be merged into TE, TE shall be the surviving corporation of the Merger, and the Surviving Corporation shall continue to have the name The Toledo Edison Company and be governed by the laws of the State of Ohio.

1.2 The West Common Stock issued and outstanding at the Effective Time shall thereupon and without more be converted into and become that number of common shares of the Surviving Corporation which shall be equivalent to the aggregate number of shares of TE Common outstanding immediately prior to the Effective Time.

1.3 Each share of TE Common issued and outstanding at the Effective Time (excluding any shares of TE Common as to which a shareholder of TE has perfected rights as a dissenting share holder under Section 1701.85 of the Ohio Revised Code unless those rights are terminated otherwise than by purchase) shall thereupon and without more be converted into and become one share of Holding Company Common Stock.

1.4 Each share of TE Cumulative Preferred Stock and TE Cumulative Preference Stock that shall be issued and outstanding immediately prior to the Effective Time (and each share of TE Cumulative Preferred Stock and TE Cumulative Preference Stock held in the treasury of TE at the Effective Time) shall remain unchanged and shall continue to be one share of TE Cumulative Preferred Stock and TE Cumulative Preference Stock.

ARTICLE II

THE MERGER — MANNER AND EFFECT OF CONVERSION AND EXCHANGE

2.1 Cancellation of Initially Issued Holding Company Common Stock. The Holding Company Common Stock issued to and held by TE immediately prior to the Effective Time shall be cancelled.

2.2 Cancellation of TE Treasury Stock. Any shares of TE Common which are held in the treasury of TE at the Effective Time shall not be converted into Holding Company Common Stock but shall be cancelled.

2.3 Surrender and Exchange of Certificates for TE Common. At the Effective Time, the holders of certificates for shares of TE Common shall cease to have any rights as shareholders of TE (except such rights, if any, as they may have pursuant to Sections 1701.84 and 1701.85 of the Ohio Revised Code) and, except as aforesaid, their sole rights shall pertain to the shares of Holding Company Common Stock into which their shares of TE Common shall have been converted by the Merger. After the Effective Time, each holder of an outstanding certificate or certificates for shares of TE Common shall be entitled upon surrender of the same duly transmitted to AmeriTrust Company, National Association, Cleveland, Ohio (the "Exchange Agent") to receive in exchange therefor a certificate or certificates representing the number of shares of Holding Company Common Stock into which such holder's shares of TE Common shall have been converted by the Merger. Pending such surrender and exchange, such holder's certificate or certificates for such shares of TE Common shall be deemed for all corporate purposes, including the payment of dividends, to evidence the number of shares of Holding Company Common Stock into which such shares of TE Common shall have been converted by the Merger.

2.4 Surrender and Exchange of West Common Stock. Immediately after the Effective Time and upon surrender by Holding Company of the certificates representing the West Common Stock owned and held by Holding Company, the Surviving Corporation shall deliver to Holding Company appropriate certificates representing the common stock of the Surviving Corporation resulting from the conversion of West Common Stock upon the Merger as provided in Section 1.2 hereof.

2.5 Transfers. The stock transfer books of TE with respect to TE Common shall be closed at the Effective Time, and the shareholders of record of TE Common as of that time shall be the shareholders entitled to conversion of their shares of TE Common into shares of Holding Company Common Stock as herein provided. Except as hereinafter provided, no transfer or assignment of any shares of TE Common will take place after the Effective Time until the certificates for such shares of TE Common are exchanged for a certificate or certificates representing shares of Holding Company Common Stock. In the event of a transfer of ownership of any such TE Common which is not registered in the stock transfer records of TE, stock certificates representing Holding Company Common Stock may be issued to a transferee if the certificate representing such TE Common is accompanied by all documents required to evidence and effect such transfer and by any applicable stock transfer taxes.

2.6 Certain Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided by the applicable provisions of Ohio law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time: the separate existence of West shall cease; the Surviving Corporation shall possess all assets and property of every description, and every interest therein, wherever located, and the rights, privileges, immunities, powers, franchises and authorities of a public, as well as of a private, nature of TE and West; all obligations belonging to or due TE and West shall be vested in, and become of the obligations of, the Surviving Corporation without further act or deed; title to any real estate or any interest therein vested in TE or West shall not revert or in any way be impaired by reason of the Merger; all rights of creditors and all liens upon any property of TE and West shall be preserved unimpaired; and the Surviving Corporation shall be liable for all the obligations of TE and West, and any claim existing, or action or proceeding pending, by or against TE or West may be prosecuted to judgment with right of appeal as if the Merger had not taken place.

2.7 Further Assurances. If at any time contemporaneous with or after the Effective Time either the Surviving Corporation or Holding Company shall consider it to be advisable that any further conveyances, agreements, documents, instruments and assurances of law or any other things are necessary or desirable to vest, perfect, confirm or record in the Surviving Corporation the title to any property, rights, privileges, obligations, powers and franchises of TE or West or otherwise to carry out the provisions of this Merger Agreement, the proper directors and officers of the Surviving Corporation or the proper directors and officers of West last in office shall execute and deliver, upon request of either the Surviving Corporation or Holding Company, any and all proper conveyances, agreements, documents, instruments and assurances of law, and do all things necessary or proper to vest, perfect, or confirm title to such property, rights, privileges, obligations, powers and franchises in the Surviving Corporation and otherwise to carry out the provisions of this Merger Agreement.

2.8 Effect on TE Preferred and Debt Instruments. The Merger shall not have any effect upon the TE Preferred or upon the bonds, notes and other debt securities of TE issued and outstanding immediately prior to the Effective Time, and all such securities shall remain unchanged and shall be the obligations of the Surviving Corporation after the Effective Time.

ARTICLE III

Effective Time of the Merger

If this Merger Agreement is duly adopted by the holders of shares of TE Common as provided in Section 4.5 of the Reorganization Agreement, if the conditions set forth in Articles X and XI of the Reorganization Agreement are duly satisfied, or waived by TE, and if this Merger Agreement has not been terminated pursuant to Section 8.2 hereof, at the time specified in Section 8.1 of the Reorganization Agreement executed counterparts of this Merger Agreement, or conformed copies thereof, together with a certificate of merger duly executed in accordance with Section 1701.81(A)

of the Ohio Revised Code, shall be filed by the Constituent Corporations with the Secretary of State of Ohio. The Effective Time shall be the time at which said certificate of merger is so filed.

ARTICLE IV

Articles of Incorporation

The Amended Articles of Incorporation of TE, as in effect immediately prior to the Effective Time, shall constitute the "Articles" of the Surviving Corporation within the meaning of Section 1701.01(D) of the Ohio Revised Code and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof and applicable law.

ARTICLE V

Regulations

The Regulations of TE, as in effect immediately prior to the Effective Time, shall constitute the Regulations of the Surviving Corporation and shall remain in effect until thereafter duly altered, amended, or repealed in accordance with the provisions thereof, the Articles of Incorporation of the Surviving Corporation and applicable law.

ARTICLE VI

Directors and Officers of the Surviving Corporation

The directors and officers of TE in office at the Effective Time shall be the directors and officers of the Surviving Corporation after the Effective Time and shall continue in office in accordance with the Articles and Regulations of the Surviving Corporation and applicable law.

ARTICLE VII

Statutory Agent

The name and address of the statutory agent in Ohio upon whom any process, notice, or demand against any Constituent Corporation may be served are as follows:

Stratman Cooke
The Toledo Edison Company
300 Madison Avenue
Toledo, Ohio 43652

ARTICLE VIII

Miscellaneous

8.1 Waiver and Amendment. Any Constituent Corporation may, at any time prior to the Effective Time, by action taken by its directors or officers thereunto duly authorized, waive any of the terms or conditions of this Merger Agreement and/or agree to the amendment or modification of this Merger Agreement; provided, however, that after a favorable vote by the shareholders of a Constituent Corporation any such action shall be taken by that Constituent Corporation only if, in the opinion of its directors or officers, such waiver or such amendment or modification will not have any material adverse effect on the benefits intended under this Merger Agreement for the shareholders of such party and will not require resolicitation of any proxies from such shareholders.

8.2 Termination. This Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time as provided in Article XII of the Reorganization Agreement. If the Reorganization Agreement is terminated in accordance with Article XII thereof, then this

Merger Agreement shall simultaneously terminate and the Merger shall be abandoned without further action by the Constituent Corporations. In the event of termination of this Merger Agreement, the directors of the Constituent Corporations shall each direct their officers not to file this Merger Agreement or the certificate of merger in the Office of the Secretary of State of Ohio, notwithstanding favorable action by the shareholders of the respective Constituent Corporations.

8.3 Limitation on Rights. Except as otherwise specifically provided herein, nothing expressed or implied in this Merger Agreement is intended or shall be construed to confer upon or give any person, firm or corporation, other than the Constituent Corporations and their respective shareholders, any rights or remedies under or by reason of this Merger Agreement or any transactions contemplated hereby.

8.4 Captions; Governing Law. The captions in this Merger Agreement are for convenience only and shall not be considered a part or affect the construction or interpretation of any provision of this Merger Agreement. This Merger Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

8.5 Counterparts. This Merger Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, the parties to this Merger Agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors, have each caused this Merger Agreement to be executed and attested by its Chairman and President.

NORTH HOLDING COMPANY

Attest:

_____
John P. Williamson, Chairman

By _____
Robert M. Ginn, President

THE TOLEDO EDISON COMPANY

Attest:

_____
Paul M. Smart, President

By _____
John P. Williamson, Chairman

WEST MERGER COMPANY

Attest:

_____
Paul M. Smart, President

By _____
John P. Williamson, Chairman

EXHIBIT C

ARTICLES OF INCORPORATION
OF
NORTH HOLDING COMPANY

The undersigned, desiring to form a corporation for profit under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, does hereby certify:

FIRST: The name of the Corporation shall be North Holding Company.

SECOND: The place in the State of Ohio where the principal office of the Corporation will be located is Cleveland, in Cuyahoga County, or such other location as the Board of Directors may from time to time determine.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, as now in effect or hereafter amended.

FOURTH: The total number of shares of all classes which the Corporation shall have authority to issue is 250, divided into two classes as follows: 150 shares of Common Stock without par value ("Common Shares") and 100 shares of Serial Preferred Stock without par value ("Preferred Shares").

The shares of such classes shall have the following express terms:

DIVISION A

EXPRESS TERMS OF THE COMMON SHARES

The Common Shares shall be subject to the express terms of the Preferred Shares and any series thereof. Each Common Share shall be equal to every other Common Share. The holders of Common Shares shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders.

DIVISION B

EXPRESS TERMS OF THE PREFERRED SHARES

Section 1. The Preferred Shares may be issued from time to time in one or more series. All Preferred Shares shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Board of Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. Subject to the provisions of Sections 2 to 7, both inclusive, of this Division B, which provisions shall apply to all Preferred Shares, the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and to determine and fix with respect to each such series prior to the issuance thereof (and thereafter, to the extent provided in clause (b) of this Section) the following:

(a) The designation of the series, which may be by distinguishing number, letter, or title.

(b) The number of shares of the series, which number the Board of Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The annual dividend rate of the series.

(d) The dates on which dividends, if declared, shall be payable, and the dates from which dividends shall be cumulative.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary liquidation, dissolution, or winding up of the affairs of the Corporation.

(h) Whether the shares of the series shall be convertible into Common Shares or other securities, and, if so, the conversion price or prices, any adjustments thereof, and all other terms and conditions upon which conversion may be made.

(i) Restrictions (in addition to those set forth in Sections 4(c) and 4(d) of this Division) on the issuance of shares of the same series or of any other class or series.

The Board of Directors is authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (i), both inclusive, of this Section 1.

Section 2. Dividends.

(a) The holders of Preferred Shares of each series, in preference to the holders of Common Shares and of any other class of shares ranking junior to the Preferred Shares, shall be entitled to receive, out of any funds legally available and when and as declared by the Board of Directors, dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division and no more, payable quarterly on the dates fixed for such series. Such dividends shall be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividends may be paid upon or declared or set apart for any of the Preferred Shares for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon or declared or set apart for all Preferred Shares of all series then issued and outstanding and entitled to receive such dividend.

(b) In no event so long as any Preferred Shares shall be outstanding shall any dividends, except a dividend payable in Common Shares or other shares ranking junior to the Preferred Shares, be paid or declared or any distribution be made except as aforesaid on the Common Shares or any other shares ranking junior to the Preferred Shares, nor shall any Common Shares or any other shares ranking junior to the Preferred Shares be purchased, retired, or otherwise acquired by the Corporation unless:

(i) All accrued and unpaid dividends on Preferred Shares, including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart; and

(ii) There shall be no arrearages with respect to the redemption of Preferred Shares of any series from any sinking fund provided for shares of such series in accordance with Section 1 of this Division.

Section 3. Liquidation.

(a) The holders of Preferred Shares of any series shall, in case of liquidation, dissolution, or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Preferred Shares, the amounts fixed with respect to shares of such series in accordance with Section 1 of this Division, plus an amount equal to all dividends accrued and unpaid thereon to the date of payment of the amount due pursuant to such liquidation, dissolution, or winding up of the affairs of the Corporation. In case the net assets of the Corporation legally available therefor

are insufficient to permit the payment upon all outstanding Preferred Shares of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably among the outstanding Preferred Shares in proportion to the full preferential amount to which each such share is entitled. After payment to holders of Preferred Shares of the full preferential amounts as aforesaid, holders of Preferred Shares as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation, or winding up for the purposes of this Section 3.

Section 4. Voting.

(a) The holders of Preferred Shares shall have no voting rights, except as provided in this Section or required by law.

(b)(i) If, and so often as, the Corporation shall be in default in the payment of six full quarterly dividends (whether or not consecutive) on any series of Preferred Shares at the time outstanding, whether or not earned or declared, the holders of Preferred Shares of all series, voting separately as a class, shall be entitled to elect, as herein provided, two members of the Board of Directors of the Corporation; provided, however, that the special class voting rights provided for herein when the same shall have become vested shall remain so vested until all accrued and unpaid dividends on the Preferred Shares of all series then outstanding shall have been paid, whereupon the holders of Preferred Shares shall be divested of their special class voting rights in respect of subsequent elections of directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph.

(ii) In the event of default entitling the holders of Preferred Shares to elect two directors as above specified, a special meeting of the shareholders for the purpose of electing such directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent of the Preferred Shares of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders shall be held within 120 days after the date of receipt of the foregoing written request from the holders of Preferred Shares. At any meeting at which the holders of Preferred Shares shall be entitled to elect directors, the holders of a majority of the then outstanding Preferred Shares of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the members of the Board of Directors which the holders of Preferred Shares are entitled to elect as hereinabove provided. The two directors who may be elected by the holders of Preferred Shares pursuant to the foregoing provisions shall be in addition to any other directors then in office or proposed to be elected otherwise than pursuant to such provisions, and nothing in such provisions shall prevent any change otherwise permitted in the total number of directors of the Corporation or require the resignation of any director elected otherwise than pursuant to such provisions. Notwithstanding any classification of the other directors of the Corporation, the two directors elected by the holders of Preferred Shares shall be elected annually for terms expiring at the next succeeding annual meeting of shareholders.

(c) The affirmative vote of the holders of at least two thirds of the Preferred Shares at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Shares shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Shares are concerned, such action may be effected with such vote):

(i) Any amendment, alteration, or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Corporation which affects adversely the voting powers, rights or preferences of the holders of Preferred Shares; provided. however, that, for the purpose of this clause (i) only, neither the amendment of the Articles of Incorporation so as to authorize or create, or to increase the authorized or outstanding amount of, Preferred Shares or of any shares of any class ranking on a parity with or junior to the Preferred Shares, nor the amendment of the provisions of the Regulations so as to increase the number of directors of the Corporation shall be deemed to affect adversely the voting powers, rights or preferences of the holders of Preferred Shares; and provided further, that if such amendment, alteration, or repeal affects adversely the rights or preferences of one or more but not all series of Preferred Shares at the time outstanding, only the affirmative vote of the holders of at least two-thirds of the number of shares at the time outstanding of the series so affected shall be required;

(ii) The authorization or creation of, or the increase in the authorized amount of, any shares of any class, or any security convertible into shares of any class, ranking prior to the Preferred Shares; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Preferred Shares then outstanding except in accordance with a stock purchase offer made to all holders of record of Preferred Shares, unless all dividends upon all Preferred Shares then outstanding for all previous quarterly dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

(d) The affirmative vote of the holders of at least a majority of the Preferred Shares at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Preferred Shares shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Preferred Shares are concerned, such action may be effected with such vote):

(i) The sale, lease or conveyance by the Corporation of all or substantially all of its property or business, or its consolidation with or merger into any other corporation unless the corporation resulting from such consolidation or merger will have after such consolidation or merger no class of shares either authorized or outstanding ranking prior to or on a parity with the Preferred Shares except the same number of shares ranking prior to or on a parity with the Preferred Shares and having the same rights and preferences as the shares of the Corporation authorized and outstanding immediately preceding such consolidation or merger, and each holder of Preferred Shares immediately preceding such consolidation or merger shall receive the same number of shares, with the same rights and preferences, of the resulting or surviving corporation; or (ii) The authorization of any shares ranking on a parity with the Preferred Shares or an increase in the authorized number of Preferred Shares.

Section 5. Definitions. For the purpose of this Division B:

(a) Whenever reference is made to shares "ranking prior to the Preferred Shares", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over the rights of the holders of Preferred Shares.

(b) Whenever reference is made to shares "on a parity with the Preferred Shares", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Preferred Shares.

(c) Whenever reference is made to shares "ranking junior to the Preferred Shares", such reference shall mean and include all shares of the Corporation other than those defined under Subsections (a) and (b) of this Section as shares "ranking prior to" or "on a parity with" the Preferred Shares.

FIFTH: No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in the treasury, or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subjected to rights or options to purchase granted by the Corporation.

SIXTH: Without derogation from any other power to purchase shares of the Corporation, the Corporation may, by action of its Board of Directors and to the extent not prohibited by law, purchase outstanding shares of any class of the Corporation's shares, subject, however, to such limitation or restriction, if any, as is contained in the express terms of any class of shares of the Corporation outstanding at the time of the purchase in question.

SEVENTH: Except as otherwise provided in these Articles of Incorporation or the Regulations of the Corporation as they may be amended from time to time, the holders of a majority of the Corporation's outstanding voting shares, a majority of a particular class of such shares, or a majority of each class of such shares are authorized to take any action which, but for this Article SEVENTH, would require the vote or other action of the holders of more than a majority of such shares, of a particular class of such shares, or of each class of such shares.

IN WITNESS WHEREOF, I have hereunto subscribed my name this day of June, 1985.

James J. Maiwurm, Sole Incorporator

EXHIBIT D

REGULATIONS
OF
NORTH HOLDING COMPANY

MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting.

The annual meeting of shareholders of the Corporation shall be held at such time and on such business day as the directors may determine each year. The annual meeting shall be held at the principal office of the Corporation or at such other place within or without the State of Ohio as the directors may determine. The directors shall be elected thereat and such other business transacted as may properly be brought before the meeting.

Section 2. Special Meetings.

Special meetings of the shareholders may be called at any time by the Chairman of the Board, the President, a Vice President or by the directors by action at a meeting or a majority of the directors acting without a meeting, or by shareholders holding 25 percent or more of the outstanding shares entitled to vote thereat (excluding any shares of any class entitled to vote for directors by virtue of a default or a contingency), or by such persons and in such event and manner as the Articles of Incorporation may provide. Such meetings may be held within or without the State of Ohio at such time and place as may be specified in the notice thereof.

Section 3. Notice of Meetings.

Written notice of every annual or special meeting of the shareholders stating the time, place and purposes thereof shall be given to each shareholder entitled to notice as provided by law, not less than seven nor more than 60 days before the date of the meeting. Such notice may be given by or at the direction of the Chairman of the Board, the President, any Vice President or the Secretary by personal delivery or by mail addressed to the shareholder at his last address as it appears on the records of the Corporation. Any shareholder may waive in writing notice of any meeting, either before or after the holding of such meeting, and, by attending any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof.

Section 4. Persons Becoming Entitled by Operation of Law or Transfer.

Every person who, by operation of law, transfer or any other means whatsoever, shall become entitled to any shares, shall be bound by every notice in respect of such share or shares which previously to the entering of his name and address on the records of the Corporation shall have been duly given to the person from whom he derives his title to such shares.

Section 5. Quorum and Adjournments.

Except as may be otherwise required by law or by the Articles of Incorporation or these Regulations, the holders of a majority of the then outstanding shares entitled to vote generally in an election of directors, taken together as a single class, present in person or by proxy, shall constitute a quorum; provided that any meeting duly called, whether a quorum is present or otherwise may, by vote of the holders of the majority of the voting shares represented thereat, adjourn from time to time, in which case no further notice of any such adjourned meeting need be given.

Section 6. Business to be Conducted at Meetings.

At any meeting of shareholders (including any adjournment thereof), only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting of shareholders, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the directors, otherwise properly brought before the meeting by or at the direction of the directors, or otherwise properly brought before the meeting by a shareholder. For business to be properly brought before a meeting of shareholders by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days prior to the date of the meeting (as initially called, in the case of adjourned meetings); provided, however, that in the event that less than 75 days' notice or prior public disclosure of the date of the meeting is given or made to the shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and record address of the shareholder proposing such business, (c) the class and number of shares of the Corporation beneficially owned by such shareholder, and (d) any material interest of such shareholder in such business.

Notwithstanding anything in the Regulations of the Corporation to the contrary, no business shall be conducted at a meeting of shareholders except in accordance with the procedures set forth in this Section 6.

The Chairman of the meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6 in which event any such business not properly brought before the meeting shall not be transacted.

DIRECTORS

Section 7. Number.

The Board of Directors shall consist of not less than three and not more than 15 directors fixed as provided in this Section (plus any directors separately elected by the holders of any class of stock other than the Common Shares as provided in the Articles of Incorporation). The number of directors may be fixed, increased or decreased, from time to time (a) at a meeting of the holders of the Common Shares called for the purpose of electing directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares which are represented at the meeting in person or by proxy and entitled to vote on the proposal or (b) by action of the Board of Directors at a meeting by the vote of a majority of the directors in office at the time or in a writing signed by all the directors in office at the time. Any increase in the number of directors shall be deemed to create a vacancy or vacancies which may be filled as provided in Section 11. A reduction in the number of directors shall not be applied to remove any director from office prior to the expiration of his term. The number of directors last fixed by action of the shareholders or by the Board of Directors shall remain fixed at that number until such time as the number is increased or decreased by any such action.

Section 8. Nominations.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election as directors of the Corporation may be made at a meeting of shareholders by or at the direction of the directors, by any nominating committee or person appointed by the directors, or by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 8. Such nominations, other than those made by or at the direction of the directors,

shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days prior to the meeting (as initially called, in the case of adjourned meetings); provided, however, that in the event that less than 75 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person who is not an incumbent director whom the shareholder proposes to nominate for election as a director, (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person; (iii) the class and number of shares of the Corporation which are beneficially owned by such person; and (iv) any other information relating to such person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. Such notice shall be accompanied by the written consent of each proposed nominee to serve as a director of the Corporation, if elected. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 8.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 8, and, if he should so determine, the defective nomination shall be disregarded.

Section 9. Term of Office and Election of Directors.

Directors shall hold office until the annual meeting of the shareholders next following their election and until their respective successors are elected, or until their earlier resignation, death or removal from office. At each meeting of the shareholders for the election of directors, the persons receiving the greatest number of votes shall be the directors. Election of directors shall be by ballot whenever requested by any person entitled to vote at the meeting; but unless so requested such election may be conducted in any way approved at such meeting.

Section 10. Removal.

All the directors, all the directors of any particular class of directors, or any individual director, may be removed from office without assigning any cause, by the affirmative vote of at least two-thirds of the voting shares, present in person or represented by proxy, entitled to vote in respect thereof, at an annual meeting or at any special meeting duly called; provided that unless all the directors, or all the directors of any particular class of directors, are removed, no individual director shall be removed in case the votes of a sufficient number of shares are cast against his removal which, if cumulatively voted at an election of all the directors, or all the directors of any particular class, as the case may be, would be sufficient to elect at least one director; and provided further that any directors separately elected by the holders of any class of stock other than the Common Shares as provided in the Articles of Incorporation may be removed as provided by law and the express terms of such class of stock.

Section 11. Resignations; Vacancies.

Any director may resign at any time by oral statement to that effect made at a meeting of the Board of Directors to be effective immediately or at such other time as the director may specify, or in writing to that effect delivered to the Secretary to be effective upon its acceptance or at the time specified in such writing. Whenever any vacancy shall occur among the directors, the remaining directors shall constitute the directors of the Corporation until such vacancy is filled or until the number of directors is changed pursuant to Section 7 hereof. Except in cases where a director is removed as provided by law and these Regulations and his successor is elected by the shareholders,

the remaining directors may, by a vote of a majority of their number, fill any vacancy for the unexpired term. A majority of the directors then in office may also fill any vacancy that results from an increase in the number of directors.

Section 12. Quorum and Adjournments.

A majority of the directors in office at the time shall constitute a quorum, provided that any meeting duly called, whether a quorum is present or otherwise, may, by vote of a majority of the directors present, adjourn from time to time and place to place within or without the State of Ohio, in which case no further notice of the adjourned meeting need be given. At any meeting at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the directors present, except as is otherwise provided in the Articles of Incorporation or these Regulations or is otherwise authorized by Section 1701.60 of the Ohio Revised Code as such statute may be amended from time to time.

Section 13. Organization Meeting.

Immediately after each annual meeting of the shareholders at which directors are elected, or each special meeting held in lieu thereof, the directors including those newly elected, if a quorum of all such directors is present, shall hold an organization meeting at the same place or at such other time and place as may be fixed by the shareholders at such meeting, for the purpose of electing officers and transacting any other business. Notice of such meeting need not be given. If for any reason such organization meeting is not held at such time, a special meeting for such purpose shall be held as soon thereafter as practicable. Unless otherwise limited in the notice thereof, any business may be transacted at any organization meeting.

Section 14. Regular Meetings.

Regular meetings of the directors may be held at such times and places within or without the State of Ohio as may be provided for in by-laws or resolutions adopted by the directors and upon such notice, if any, as shall be so provided for. Unless otherwise limited in the notice thereof, any business may be transacted at any regular meeting.

Section 15. Special Meetings.

Special meetings of the directors may be held at any time within or without the State of Ohio upon call by the Chairman of the Board, the President, any Vice President, or by any two directors. Notice of each such meeting shall be given to each director by personal delivery, by mail, cablegram or telegram, or by telephone not less than two days prior to such meeting or such shorter notice as the directors shall deem necessary and warranted under the circumstances. Any director may waive in writing notice of any meeting, and, by participating in any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof. Unless otherwise limited in the notice thereof, any business may be transacted at any special meeting.

Section 16. Compensation.

The directors are authorized to fix reasonable compensation, which may include pension, disability, and death benefits, for services to the Corporation by directors or a reasonable fee for attendance at any meeting of the directors, the Executive Committee, or other committees elected under Section 20 hereof, or any combination of salary and attendance fee.

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 17. Membership and Organization.

(a) The directors, at any time, may elect from their number an Executive Committee (the "Committee") which shall consist of three or more directors of the Corporation, each of whom shall hold office during the pleasure of the directors and may be removed at any time, with or without cause, by vote thereof.

(b) Vacancies occurring in the Committee may be filled by the directors.

(c) In the event the directors have not designated a Chairman, the Committee shall appoint one of its own number as Chairman who shall preside at all meetings and may also appoint a Secretary (who need not be a member of the Committee) who shall keep its records and who shall hold office during the pleasure of the Committee.

Section 18. Meetings.

(a) Regular meetings of the Committee may be held without notice of the time, place or purposes thereof and shall be held at such times and places within or without the State of Ohio as the Committee may from time to time determine.

(b) Special meetings may be held upon notice of the time, place and purposes thereof at any place within or without the State of Ohio. Until otherwise ordered by the Committee special meetings shall be held at any time and place at the call of the Chairman or any two members of the Committee.

(c) At any regular or special meeting the Committee may exercise any or all of its powers, and any business which shall come before any regular or special meeting may be transacted thereat, provided a majority of the Committee is present, but in every case the affirmative vote of a majority of all of the members of the Committee shall be necessary to take any action.

(d) Any authorized action by the Committee may be taken without a meeting by a writing signed by all the members of the Committee.

Section 19. Powers.

Except as its powers, duties and functions may be limited or prescribed by the directors, during the intervals between the meetings of the directors, the Committee shall possess and may exercise all the powers of the directors provided that the Committee shall not be empowered to declare dividends, elect or remove officers, fill vacancies among the directors or the Committee, adopt an agreement of merger or consolidation, recommend to the shareholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, nor recommend to the shareholders a dissolution of the Corporation or revocation of a dissolution. All actions of the Committee shall be reported to the directors at their meeting next succeeding such action and shall be subject to revision or alteration by the directors, provided that no rights of any third person shall be affected thereby.

Section 20. Other Committees.

The directors may elect other committees from among the directors in addition to or in lieu of an Executive Committee and give to them any of the powers which under the foregoing provisions could be vested in an Executive Committee. Sections 17 and 18 shall be applicable to such other committees.

OFFICERS

Section 21. Officers Designated.

The directors, at their organization meeting or at a special meeting held in lieu thereof, shall elect a Chairman of the Board, a President, a Secretary, a Treasurer and, in their discretion, one or more Vice Presidents, an Assistant Secretary or Secretaries, an Assistant Treasurer or Treasurers, and such other officers as the directors may deem appropriate. The Chairman of the Board and the President shall be, and the other officers may, but need not be, chosen from among the directors. Any two or more of such offices other than that of President and Vice President, or Secretary and Assistant Secretary, or Treasurer and Assistant Treasurer, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Articles of Incorporation, these Regulations or any by-laws to be executed, acknowledged, or verified by two or more officers.

Section 22. Tenure of Office.

The officers of the Corporation shall hold office for such terms as the directors shall determine from time to time. The directors may remove any officer at any time with or without cause by a majority vote of the directors in office at the time. A vacancy, however created, in any office may be filled by election by the directors.

Section 23. Duties of Officers.

Subject to such provisions as the Board of Directors may from time to time make, the officers of the Corporation shall each have such powers and duties as generally appertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or by the Executive Committee.

Section 24. Delegation of Duties.

The directors are authorized to delegate the duties of any officers to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein.

Section 25. Compensation.

The directors are authorized to determine or to provide the method of determining the compensation of all officers.

Section 26. Bond.

Any officer or employee, if required by the directors, shall give bond in such sum and with such security as the directors may require for the faithful performance of his duties.

Section 27. Signing Checks and Other Instruments.

The directors are authorized to determine or provide the method of determining how checks, notes, bills of exchange and similar instruments shall be signed, countersigned or endorsed.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 28. Indemnification.

The Corporation shall indemnify any director or officer or any former director or officer of the Corporation or any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent and according to the procedures and requirements set forth in any applicable law as the same may be in effect from time to time. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to indemnify employees, agents and others as permitted by any applicable law.

PROVISIONS IN ARTICLES OF INCORPORATION

Section 29. Provisions in Articles of Incorporation.

These Regulations are at all times subject to the provisions of the Articles of Incorporation of the Corporation as the same may be in effect from time to time.

LOST CERTIFICATES

Section 30. Lost Certificates.

The directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon such terms and conditions as they may deem advisable upon satisfactory proof of loss or destruction thereof. When authorizing such issue of a new certificate, the directors may, as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the directors shall require and/or to give the Corporation a suitable bond or indemnity against loss by reason of the issuance of a new certificate.

RECORD DATES

Section 31. Record Dates.

For any lawful purpose, including, without limitation, the determination of the shareholders who are entitled to: (a) receive notice of or to vote at a meeting of shareholders; (b) receive payment of any dividend or distribution; (c) receive or exercise rights of purchase of or subscription for, or exchange or conversion of, shares or other securities, subject to contract rights with respect thereto; or (d) participate in the execution of written consents, waivers, or releases; the directors may fix a record date which shall not be a date earlier than the date on which the record date is fixed and, in the cases provided for in clauses (a), (b) and (c) above, shall not be more than 60 nor fewer than ten days, unless the Articles of Incorporation specify a shorter or a longer period for such purpose, preceding the date of the meeting of the shareholders, or the date fixed for the payment of any dividend or distribution, or the date fixed for the receipt or the exercise of rights, as the case may be.

AMENDMENTS

Section 32. Amendments.

These Regulations may be altered, changed or amended in any respect or superseded by new Regulations, in whole or in part, by the affirmative vote of the shareholders of record entitled to exercise a majority of the voting power on such proposal present in person or by proxy at an annual or special meeting called for such purpose or without a meeting by the written consent of the shareholders of record entitled to exercise a majority of the voting power on such proposal.

EXHIBIT E

ARTICLES OF INCORPORATION
OF
EAST MERGER COMPANY

The undersigned, desiring to form a corporation for profit under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, does hereby certify:

FIRST: The name of the Corporation shall be East Merger Company.

SECOND: The place in the State of Ohio where the principal office of the Corporation will be located is Cleveland, in Cuyahoga County.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, as now in effect or hereafter amended, including without limitation the generation, transmission, distribution, or sale of electricity or other forms of energy.

FOURTH: The authorized number of shares of the Corporation is 100, all of which shall be common stock without par value.

FIFTH: No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in the treasury, or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subject to rights or options to purchase granted by the Corporation.

SIXTH: Without derogation from other power to purchase shares of the Corporation, the Corporation by action of its directors may purchase outstanding shares of any class of the Corporation to the extent not prohibited by Law.

IN WITNESS WHEREOF, I have hereunto subscribed my name this day of June, 1985.

_____

James J. Maiwurm, Sole Incorporator

EXHIBIT F

REGULATIONS
OF
EAST MERGER COMPANY

MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting.

The annual meeting of shareholders of the Corporation shall be held at such time and on such business day as the directors may determine each year. The annual meeting shall be held at the principal office of the Corporation or at such other place within or without the State of Ohio as the directors may determine. The directors shall be elected thereat and such other business transacted as may be specified in the notice of the meeting.

Section 2. Special Meetings.

Special meetings of the shareholders may be called at any time by the President, a Vice President or by a majority of the directors acting with or without a meeting, or by shareholders holding 25 percent or more of the outstanding shares entitled to vote thereat. Such meetings may be held within or without the State of Ohio at such time and place as may be specified in the notice thereof.

Section 3. Notice of Meetings.

Written notice of every annual or special meeting of the shareholders stating the time, place and purposes thereof shall be given to each shareholder entitled to vote thereat and to each shareholder entitled to notice as provided by law, in person or by mailing the same to his last address appearing on the records of the Corporation at least seven days before the meeting. Any shareholder may waive notice of any meeting, and, by attendance at any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof.

Section 4. Persons Becoming Entitled by Operation of Law or Transfer.

Every person who, by operation of law, transfer or any other means whatsoever, shall become entitled to any shares, shall be bound by every notice in respect of such share or shares which previously to the entering of his name and address on the records of the Corporation shall have been duly given to the person from whom he derives his title to such shares.

Section 5. Quorum and Adjournments.

Except as may be otherwise required by law or by the Articles of Incorporation, the holders of shares entitling them to exercise a majority of the voting power of the Corporation shall constitute a quorum; provided that any meeting duly called, whether a quorum is present or otherwise may, by vote of the holders of a majority of the voting shares represented thereat, adjourn from time to time, in which case no further notice of the adjourned meeting need be given.

DIRECTORS

Section 6. Number.

The number of directors shall not be less than three unless the number of shareholders shall be less than three, in which case the number of directors shall be not less than the number of shareholders. The number of directors may be determined by the vote of the holders of a majority of the shares entitled to vote thereon at any annual meeting or special meeting called for the purpose of

electing directors, and when so fixed, such number shall continue to be the authorized number of directors until changed by the shareholders by vote as aforesaid.

Section 7. Election of Directors.

At each meeting of the shareholders for the election of directors, the persons receiving the greatest number of votes shall be the directors. Such election shall be by ballot whenever requested by any person entitled to vote at such meeting; but unless so requested, such election may be conducted in any way approved at such meeting.

Section 8. Term of Office.

Directors shall hold office until the annual meeting of the shareholders next following their election and until their respective successors are elected, or until their earlier resignation, death or removal from office.

Section 9. Vacancies.

Whenever any vacancy shall occur among the directors, the remaining directors shall constitute the directors of the Corporation until such vacancy is filled or until the number of directors is changed as in Section 6 hereof. Except in cases where a director is removed as provided by law and his successor is elected by the shareholders, the remaining directors may, by a vote of a majority of their number, fill any vacancy for the unexpired term.

Section 10. Quorum and Adjournments.

A majority of the directors in office at the time shall constitute a quorum, provided that any meeting duly called, whether a quorum is present or otherwise, may, by vote of a majority of the directors present, adjourn from time to time and place to place within or without the State of Ohio, in which case no further notice of the adjourned meeting need be given. At any meeting at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the directors present, except as is otherwise authorized by Section 1701.60(A)(1) of the Ohio Revised Code.

Section 11. Organization Meeting.

Immediately after each annual meeting of the shareholders at which directors are elected, or each special meeting held in lieu thereof, the newly elected directors, if a quorum thereof is present, shall hold an organization meeting at the same place or at such other time and place as may be fixed by the shareholders at such meeting, for the purpose of electing officers and transacting any other business. Notice of such meeting need not be given. If for any reason such organization meeting is not held at such time, a special meeting for such purpose shall be held as soon thereafter as practicable.

Section 12. Regular Meetings.

Regular meetings of the directors may be held at such times and places within or without the State of Ohio as may be provided for in by-laws or resolutions adopted by the directors and upon such notice, if any, as shall be so provided for.

Section 13. Special Meetings.

Special meetings of the directors may be held at any time within or without the State of Ohio upon call by the President, or the Chief Executive Officer, or by any two directors. Notice of each such meeting shall be given to each director by letter or telegram or in person not less than 48 hours prior to such meeting. Any director may waive notice of any meeting, and, by attendance at any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof.

Unless otherwise limited in the notice thereof, any business may be transacted at any organization, regular or special meeting.

Section 14. Compensation.

The directors are authorized to fix a reasonable salary for directors or a reasonable fee for attendance at any meeting of the directors or committees thereof.

OFFICERS

Section 15. Officers Designated.

The directors, at their organization meeting or at a special meeting held in lieu thereof, shall elect a President, a Secretary, a Treasurer and, in their discretion, a Chairman of the Board, one or more Vice Presidents, an Assistant Secretary or Secretaries, an Assistant Treasurer or Treasurers, and such other officers as the directors may see fit. The Chairman of the Board shall be, and the other officers may, but need not be, chosen from among the directors. Any two or more of such offices other than that of President and Vice President, or Secretary and Assistant Secretary or Treasurer and Assistant Treasurer, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity.

Section 16. Tenure of Office.

The officers of the Corporation shall hold office until the next organization meeting of the directors and until their successors are chosen and qualified, except in case of resignation, death or removal. The directors may remove any officer at any time with or without cause by a majority vote of the directors in office at the time. A vacancy, however created, in any office may be filled by election by the directors.

Section 17. Duties of Officers.

Subject to such provisions as the Board of Directors may from time to time make, the officers of the Corporation shall each have such powers and duties as generally appertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors.

Section 18. Delegation of Duties.

The directors are authorized to delegate the duties of any officers to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein.

Section 19. Compensation.

The directors are authorized to determine or to provide the method of determining the compensation of all officers.

Section 20. Bond.

Any officer or employee, if required by the directors, shall give bond in such sum and with such security as the directors may require for the faithful performance of his duties.

Section 21. Signing Checks and Other Instruments.

The directors are authorized to determine or provide the method of determining how checks, notes, bills of exchange and similar instruments shall be signed, countersigned or endorsed.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 22.

The Corporation shall indemnify any director or officer or any former director or officer of the Corporation or any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to the extent and according to the procedures and requirements set forth in the Ohio General Corporation Law. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to indemnify employees, agents and others as permitted by such Law.

PROVISIONS IN ARTICLES OF INCORPORATION

Section 23.

These Regulations are at all times subject to the provisions of the Articles of Incorporation of the Corporation (including in such term whenever used in these Regulations, amendments thereto).

AMENDMENTS

Section 24.

These Regulations may be altered, changed or amended in any respect or superseded by new Regulations in whole or in part, by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power of the Corporation at an annual or special meeting called for such purpose or without a meeting by the written consent of the holders of record of shares entitling them to exercise two-thirds of the voting power with respect thereto.

EXHIBIT G

ARTICLES OF INCORPORATION
OF
WEST MERGER COMPANY

The undersigned, desiring to form a corporation for profit under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, does hereby certify:

FIRST: The name of the Corporation shall be West Merger Company.

SECOND: The place in the State of Ohio where the principal office of the Corporation will be located is Toledo, in Lucas County.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio, as now in effect or hereafter amended, including without limitation the generation, transmission, distribution, or sale of electricity or other forms of energy.

FOURTH: The authorized number of shares of the Corporation is 50, all of which shall be common stock without par value.

FIFTH: No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in the treasury, or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subject to rights or options to purchase granted by the Corporation.

SIXTH: Without derogation from other power to purchase shares of the Corporation, the Corporation by action of its directors may purchase outstanding shares of any class of the Corporation to the extent not prohibited by Law.

IN WITNESS WHEREOF, I have hereunto subscribed my name this day of June, 1985.

_____

James J. Maiwurm, Sole Incorporator

EXHIBIT H

REGULATIONS
OF
WEST MERGER COMPANY

MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting.

The annual meeting of shareholders of the Corporation shall be held at such time and on such business day as the directors may determine each year. The annual meeting shall be held at the principal office of the Corporation or at such other place within or without the State of Ohio as the directors may determine. The directors shall be elected thereat and such other business transacted as may be specified in the notice of the meeting.

Section 2. Special Meetings.

Special meetings of the shareholders may be called at any time by the President, a Vice President or by a majority of the directors acting with or without a meeting, or by shareholders holding 25 percent or more of the outstanding shares entitled to vote thereat. Such meetings may be held within or without the State of Ohio at such time and place as may be specified in the notice thereof.

Section 3. Notice of Meetings.

Written notice of every annual or special meeting of the shareholders stating the time, place and purposes thereof shall be given to each shareholder entitled to vote thereat and to each shareholder entitled to notice as provided by law, in person or by mailing the same to his last address appearing on the records of the Corporation at least seven days before the meeting. Any shareholder may waive notice of any meeting, and, by attendance at any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof.

Section 4. Persons Becoming Entitled by Operation of Law or Transfer.

Every person who, by operation of law, transfer or any other means whatsoever, shall become entitled to any shares, shall be bound by every notice in respect of such share or shares which previously to the entering of his name and address on the records of the Corporation shall have been duly given to the person from whom he derives his title to such shares.

Section 5. Quorum and Adjournments.

Except as may be otherwise required by law or by the Articles of Incorporation, the holders of shares entitling them to exercise a majority of the voting power of the Corporation shall constitute a quorum; provided that any meeting duly called, whether a quorum is present or otherwise may, by vote of the holders of a majority of the voting shares represented thereat, adjourn from time to time, in which case no further notice of the adjourned meeting need be given.

DIRECTORS

Section 6. Number.

The number of directors shall not be less than three unless the number of shareholders shall be less than three, in which case the number of directors shall be not less than the number of shareholders. The number of directors may be determined by the vote of the holders of a majority of the shares entitled to vote thereon at any annual meeting or special meeting called for the purpose of

electing directors, and when so fixed, such number shall continue to be the authorized number of directors until changed by the shareholders by vote as aforesaid.

Section 7. Election of Directors.

At each meeting of the shareholders for the election of directors, the persons receiving the greatest number of votes shall be the directors. Such election shall be by ballot whenever requested by any person entitled to vote at such meeting; but unless so requested, such election may be conducted in any way approved at such meeting.

Section 8. Term of Office.

Directors shall hold office until the annual meeting of the shareholders next following their election and until their respective successors are elected, or until their earlier resignation, death or removal from office.

Section 9. Vacancies.

Whenever any vacancy shall occur among the directors, the remaining directors shall constitute the directors of the Corporation until such vacancy is filled or until the number of directors is changed as in Section 6 hereof. Except in cases where a director is removed as provided by law and his successor is elected by the shareholders, the remaining directors may, by a vote of a majority of their number, fill any vacancy for the unexpired term.

Section 10. Quorum and Adjournments.

A majority of the directors in office at the time shall constitute a quorum, provided that any meeting duly called, whether a quorum is present or otherwise, may, by vote of a majority of the directors present, adjourn from time to time and place to place within or without the State of Ohio, in which case no further notice of the adjourned meeting need be given. At any meeting at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the directors present, except as is otherwise authorized by Section 1701.60(A)(1) of the Ohio Revised Code.

Section 11. Organization Meeting.

Immediately after each annual meeting of the shareholders at which directors are elected, or each special meeting held in lieu thereof, the newly elected directors, if a quorom thereof is present, shall hold an organization meeting at the same place or at such other time and place as may be fixed by the shareholders at such meeting, for the purpose of electing officers and transacting any other business. Notice of such meeting need not be given. If for any reason such organization meeting is not held at such time, a special meeting for such purpose shall be held as soon thereafter as practicable.

Section 12. Regular Meetings.

Regular meetings of the directors may be held at such times and places within or without the State of Ohio as may be provided for in by-laws or resolutions adopted by the directors and upon such notice, if any, as shall be so provided for.

Section 13. Special Meetings.

Special meetings of the directors may be held at any time within or without the State of Ohio upon call by the President, or the Chief Executive Officer, or by any two directors. Notice of each such meeting shall be given to each director by letter or telegram or in person not less than 48 hours prior to such meeting. Any director may waive notice of any meeting, and, by attendance at any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof.

Unless otherwise limited in the notice thereof, any business may be transacted at any organization, regular or special meeting.

Section 14. Compensation.

The directors are authorized to fix a reasonable salary for directors or a reasonable fee for attendance at any meeting of the directors or committees thereof.

OFFICERS

Section 15. Officers Designated.

The directors, at their organization meeting or at a special meeting held in lieu thereof, shall elect a President, a Secretary, a Treasurer and, in their discretion, a Chairman of the Board, one or more Vice Presidents, an Assistant Secretary or Secretaries, an Assistant Treasurer or Treasurers, and such other officers as the directors may see fit. The Chairman of the Board shall be, and the other officers may, but need not be, chosen from among the directors. Any two or more of such offices other than that of President and Vice President, or Secretary and Assistant Secretary or Treasurer and Assistant Treasurer, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity.

Section 16. Tenure of Office.

The officers of the Corporation shall hold office until the next organization meeting of the directors and until their successors are chosen and qualified, except in case of resignation, death or removal. The directors may remove any officer at any time with or without cause by a majority vote of the directors in office at the time. A vacancy, however created, in any office may be filled by election by the directors.

Section 17. Duties of Officers.

Subject to such provisions as the Board of Directors may from time to time make, the officers of the Corporation shall each have such powers and duties as generally appertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors.

Section 18. Delegation of Duties.

The directors are authorized to delegate the duties of any officers to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein.

Section 19. Compensation.

The directors are authorized to determine or to provide the method of determining the compensation of all officers.

Section 20. Bond.

Any officer or employee, if required by the directors, shall give bond in such sum and with such security as the directors may require for the faithful performance of his duties.

Section 21. Signing Checks and Other Instruments.

The directors are authorized to determine or provide the method of determining how checks, notes, bills of exchange and similar instruments shall be signed, countersigned or endorsed.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 22.

The Corporation shall indemnify any director or officer or any former director or officer of the Corporation or any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to the extent and according to the procedures and requirements set forth in the Ohio General Corporation Law. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to indemnify employees, agents and others as permitted by such Law.

PROVISIONS IN ARTICLES OF INCORPORATION

Section 23.

These Regulations are at ali times subject to the provisions of the Articles of Incorporation of the Corporation (including in such term whenever used in these Regulations, amendments thereto).

AMENDMENTS

Section 24.

These Regulations may be altered, changed or amended in any respect or superseded by new Regulations in whole or in part, by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power of the Corporation at an annual or special meeting called for such purpose or without a meeting by the written consent of the holders of record of shares entitling them to exercise two-thirds of the voting power with respect thereto.

EXHIBIT I

Substance of Opinion of
Jones, Day, Reavis & Pogue, TE's Counsel

1. TE is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio. TE has full corporate power and authority to own its assets and properties and to engage in its business and activities as described in the Proxy and Merger Registration Statement.

2. TE is duly qualified to do business as a foreign corporation in each state in the United States in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the financial condition, results of operations, or conduct of the business of TE, and TE is in good standing in each jurisdiction in which it is so qualified to do business.

3. All of the issued and outstanding shares of TE Common and TE Preferred are validly issued, fully paid, and nonassessable, and no person has the right to acquire shares of capital stock of TE by reason of its issuance of shares in violation of the preemptive rights of any shareholder.

4. The Reorganization Agreement and the West Merger Agreement and the consummation thereof have been duly authorized, approved and adopted on behalf of TE by all requisite corporate action and are binding upon TE and are enforceable against TE in accordance with their terms (except as enforceability 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).

5. Neither the execution and delivery by TE of the Reorganization Agreement and the West Merger Agreement nor the consummation by TE of the merger of West into TE will (a) result in a violation of any statute, rule or regulation of any government or any agency of any government binding upon TE known to such counsel after due inquiry or (b) result in or constitute a violation of the Articles of Incorporation or Regulations of TE.

6. Neither the execution and delivery by TE of the Reorganization Agreement and the West Merger Agreement nor the consummation by TE of the merger of West into TE will (a) result in a violation of any judgment, order, or decree of any court or other agency of any government known to such counsel after due inquiry and binding upon TE or (b), upon such event or with the lapse of time or notice or declaration of any third party, result in a violation of, constitute a default under, accelerate the performance provided by the terms of, or result in the creation of any lien, charge, or encumbrance upon any of the material assets or properties of TE under, any contract, agreement or instrument, known to such counsel after due inquiry, to which TE is a party or by which TE is bound.

7. As of the effective date of the Proxy and Merger Registration Statement, TE met the requirements of General Instruction I.A. of SEC Form S-3 and the aggregate market value requirement of General Instruction I.B.1. of SEC Form S-3.

8. Except as contemplated by the Reorganization Agreement, to such counsel's knowledge after due inquiry, no consent, approval, authorization or order of, or filing with, any court or regulatory authority is required of or by TE, for the valid authorization, execution and delivery of the Reorganization Agreement and the West Merger Agreement by TE and the consummation by TE of the transactions contemplated thereby.

9. All Regulatory Approvals required to be obtained by TE in order to permit consummation by TE of the transactions contemplated by the Reorganization Agreement have been obtained and, to such counsel's knowledge after due inquiry, remain in full force and effect.

10. To such counsel's knowledge after due inquiry, and except for matters described in this paragraph pending, threatened or asserted against both TE and CEI, as to which such counsel need express no opinion, (a) no litigation, proceeding or governmental investigation is pending or threatened against TE, or its officers, directors, employees or shareholders, as such, which seeks to restrain or enjoin the transactions contemplated by the Reorganization Agreement and (b), except as set forth in the TE Disclosure Letter or the TE SEC Reports, there is no litigation, action, suit, investigation, or proceeding pending against TE, at law or in equity or before any federal, state, municipal, or local court or other governmental agency, which would have a material and adverse effect on the condition (financial or otherwise), business, properties, assets, results of operations or liabilities of TE.

11. Such counsel have advised TE as to the requirements of the 1933 Act and the 1934 Act and the rules and regulations thereunder and have rendered legal assistance in connection with, and have participated in, the preparation of the Proxy and Merger Registration Statement (certain of the documents incorporated therein by reference having previously been prepared or filed by TE without such counsel's involvement). From time to time such counsel have had discussions with and made inquiry of officers, directors and employees of TE and the independent accountants who examined certain of the financial statements of TE included in the Proxy and Merger Registration Statement concerning the information contained in the Proxy and Merger Registration Statement and the proposed responses to various items of SEC Form S-4 insofar as they relate to TE. Based thereon such counsel are of the opinion that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of TE shareholders to which it related, and insofar as they relate to TE, the Proxy and Merger Registration Statement, and any amendment or supplement thereto (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), complied as to form in all material respects with the 1933 Act and the 1934 Act and the rules and regulations thereunder, and the documents incorporated therein by reference (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion) complied as to form in all material respects with the requirements of the 1934 Act and the rules and regulations thereunder. Such counsel have not independently checked the accuracy or completeness of, or otherwise independently verified, any statements of fact contained in the Proxy and Merger Registration Statement, including any document incorporated or deemed to be incorporated therein by reference. Based upon the participation, discussions and inquiries described above, however, such counsel have no reason to believe that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of TE shareholders to which it related, and insofar as they relate to TE, the Proxy and Merger Registration Statement, and any amendment or supplement thereto, including any document incorporated therein by reference (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

12. Insofar as they relate to TE, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of TE shareholders to which it related, the descriptions in the Proxy and Merger Registration Statement, and any amendment or supplement thereto, of statutes, legal and governmental proceedings, contracts and other documents (which descriptions shall be identified by CEI prior to the effective date of the Proxy and Merger Registration Statement or, in the case of any supplement thereto or amendment thereof, prior to the date thereof, and which descriptions shall be identified in such opinion by references to captions in the Proxy and Merger Registration Statement or by other appropriate reference) were accurate and fairly presented in all material respects the information required to be shown, and after due inquiry such counsel do not know of any statutes or legal or governmental proceedings relating to TE required to be described in the Proxy and Merger Registration Statement that were not described as required, or of any contracts or documents relating to TE of a character required to be described in the Proxy and Merger Registration Statement or to be filed as exhibits thereto that were not described and filed as required.

13. Upon the filing of a certificate of merger with the Secretary of State of Ohio, the merger of West into TE will be effective in accordance with the laws of the State of Ohio.

In expressing their opinion as to matters of fact relevant to conclusions of law, such counsel may rely, to the extent they deem proper, upon certificates of responsible officers and agents of TE and of public officials. In expressing their opinions set forth in paragraphs 2, 3, 6, 7 and 10(b) above (and, with the consent of CEI, in expressing their opinion with respect to designated descriptions in the Proxy and Merger Registration Statement as contemplated by paragraph 12 above), such counsel may rely on the opinion of Fuller & Henry or of TE's principal legal officer; provided, however, that such counsel shall state that they believe that they, CEI and CEI's counsel are justified in relying upon the opinion of such other counsel, and a copy of the opinion of such other counsel shall be delivered to CEI.

EXHIBIT J

Substance of Comfort Letters From Utility Company Accountants

1. They are independent public accountants with respect to [CEI or TE] (the "Company") within the meaning of the 1933 Act and the rules and regulations thereunder, and the answer to Item 8 of the Proxy and Merger Registration Statement is correct as it applies to them.

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 Proxy and Merger 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 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 Proxy and Merger 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 rules and regulations thereunder, or are not fairly presented in conformity with generally accepted accounting principles on a basis substantially consistent with that of the audited financial statements of the Company included or incorporated by reference in the Proxy and Merger 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 in the Proxy and Merger Registration Statement, except in all cases for changes or decreases which the Proxy and Merger 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 in the Proxy and Merger 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 total net operating income, except for decreases which the Proxy and Merger 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 in the Proxy and Merger 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 Proxy and Merger 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 in the Proxy and Merger 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 Proxy and Merger 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.

Substance of Opinion of
Squire, Sanders & Dempsey, CEI's Counsel

1. CEI is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio. CEI has full corporate power and authority to own its assets and properties and to engage in its business and activities as described in the Proxy and Merger Registration Statement.

2. CEI is duly qualified to do business as a foreign corporation in each state in the United States in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the financial condition, results of operations, or conduct of the business of CEI, and CEI is in good standing in each jurisdiction in which it is so qualified to do business.

3. All of the issued and outstanding shares of CEI Common and CEI Preferred are validly issued, fully paid, and nonassessable, and no person has the right to acquire shares of capital stock of CEI by reason of its issuance of shares in violation of the preemptive rights of any shareholder.

4. The Reorganization Agreement and the East Merger Agreement and the consummation thereof have been duly authorized, approved and adopted on behalf of CEI by all requisite corporate action and are binding upon CEI and are enforceable against CEI in accordance with their terms (except as enforceability 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).

5. Neither the execution and delivery by CEI of the Reorganization Agreement and the East Merger Agreement nor the consummation by CEI of the merger of East into CEI will (a) result in a violation of any statute, rule or regulation of any government or any agency of any government binding upon CEI known to such counsel after due inquiry or (b) result in or constitute a violation of the Articles of Incorporation or Regulations of CEI.

6. Neither the execution and delivery by CEI of the Reorganization Agreement and the East Merger Agreement nor the consummation by CEI of the merger of East into CEI will (a) result in a violation of any judgment, order, or decree of any court or other agency of any government known to such counsel after due inquiry and binding upon CEI or (b), upon such event or with the lapse of time or notice or declaration of any third party, result in a violation of, constitute a default under, accelerate the performance provided by the terms of, or result in the creation of any lien, charge, or encumbrance upon any of the material assets or properties of CEI under, any contract, agreement or instrument, known to such counsel after due inquiry, to which CEI is a party or by which CEI is bound.

7. As of the effective date of the Proxy and Merger Registration Statement, CEI met the requirements of General Instruction I.A. of SEC Form S-3 and the aggregate market value requirement of General Instruction I.B.1. of SEC Form S-3.

8. Except as contemplated by the Reorganization Agreement, to such counsel's knowledge after due inquiry, no consent, approval, authorization or order of, or filing with, any court or regulatory authority is required of or by CEI, for the valid authorization, execution and delivery of the Reorganization Agreement and the East Merger Agreement by CEI and the consummation by CEI of the transactions contemplated thereby.

9. All Regulatory Approvals required to be obtained by CEI in order to permit consummation by CEI of the transactions contemplated by the Reorganization Agreement have been obtained and, to such counsel's knowledge after due inquiry, remain in full force and effect.

10. To such counsel's knowledge after due inquiry, and except for matters described in this paragraph pending, threatened or asserted against both CEI and TE, as to which such counsel need express no opinion, (a) no litigation, proceeding or governmental investigation is pending or threatened against CEI, or its officers, directors, employees or shareholders, as such, which seeks to restrain or enjoin the transactions contemplated by the Reorganization Agreement and (b), except as set forth in the CEI Disclosure Letter or the CEI SEC Reports, there is no litigation, action, suit, investigation, or proceeding pending against CEI, at law or in equity or before any federal, state, municipal, or local court or other governmental agency, which would have a material and adverse effect on the condition (financial or otherwise), business, properties, assets, results of operations or liabilities of CEI.

11. Such counsel have advised CEI as to the requirements of the 1933 Act and the 1934 Act and the rules and regulations thereunder and have rendered legal assistance in connection with, and have participated in, the preparation of the Proxy and Merger Registration Statement (certain of the documents incorporated therein by reference having previously been prepared or filed by CEI without such counsel's involvement). From time to time such counsel have had discussions with and made inquiry of officers, directors and employees of CEI and the independent accountants who examined certain of the financial statements of CEI included in the Proxy and Merger Registration Statement concerning the information contained in the Proxy and Merger Registration Statement and the proposed responses to various items of SEC Form S-4 insofar as they relate to CEI. Based thereon such counsel are of the opinion that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of CEI shareholders to which it related, and insofar as they relate to CEI, the Proxy and Merger Registration Statement, and any amendment or supplement thereto (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), complied as to form in all material respects with the 1933 Act and the 1934 Act and the rules and regulations thereunder, and the documents incorporated therein by reference (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion) complied as to form in all material respects with the requirements of the 1934 Act and the rules and regulations thereunder. Such counsel have not independently checked the accuracy or completeness of, or otherwise independently verified, any statements of fact contained in the Proxy and Merger Registration Statement, including any document incorporated or deemed to be incorporated therein by reference. Based upon the participation, discussions and inquiries described above, however, such counsel have no reason to believe that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of CEI shareholders to which it related, and insofar as they relate to CEI, the Proxy and Merger Registration Statement, and any amendment or supplement thereto, including any document incorporated therein by reference (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

12. Insofar as they relate to CEI, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meeting of CEI shareholders to which it related, the descriptions in the Proxy and Merger Registration Statement, and any amendment or supplement thereto, of statutes, legal and governmental proceedings, contracts and other documents (which descriptions shall be identified by TE prior to the effective date of the Proxy and Merger Registration Statement or, in the case of any supplement thereto or amendment thereof, prior to the date thereof, and which descriptions shall be identified in such opinion by references to captions in the Proxy and Merger Registration Statement or by other appropriate reference) were accurate and fairly presented in all material respects the information required to be shown, and after due inquiry such counsel do not know of any statutes or legal or governmental proceedings relating to CEI required to be described in the Proxy and Merger Registration Statement that were not described as required, or of any contracts or documents relating to CEI of a character required to be described in the Proxy and Merger Registration Statement or to be filed as exhibits thereto that were not described and filed as required.

13. Upon the filing of a certificate of merger with the Secretary of State of Ohio, the merger of East into CEI will be effective in accordance with the laws of the State of Ohio.

In expressing their opinion as to matters of fact relevant to conclusions of law, such counsel may rely, to the extent they deem proper, upon certificates of responsible officers and agents of CEI and of public officials. In expressing their opinions set forth in paragraphs 2, 3, 6, 7 and 10(b) above (and, with the consent of TE, in expressing their opinion with respect to designated descriptions in the Proxy and Merger Registration Statement as contemplated by paragraph 12 above), such counsel may rely on the opinion of CEI's General Counsel; provided, however, that such counsel shall state that they believe that they, TE and TE's counsel are justified in relying upon the opinion of such other counsel, and a copy of the opinion of such other counsel shall be delivered to TE.

EXHIBIT L

Substance of Opinion of
Squire, Sanders & Dempsey, Holding Company's Counsel

1. Holding Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio. Holding Company has full corporate power and authority to engage in the business and activities proposed to be engaged in by it as described in the Proxy and Merger Registration Statement.

2. All of the issued and outstanding shares of Holding Company Common Stock, and the shares of Holding Company Common Stock to be issued in connection with the Mergers, have been duly authorized and, when issued, will be validly issued, fully paid and nonassessable, will conform to the description thereof in the Proxy and Merger Registration Statement and will not be issued in violation of the preemptive rights of any shareholder.

3. The Reorganization Agreement and the Merger Agreements and the consummation thereof have been duly authorized, approved and adopted on behalf of Holding Company by all requisite corporate action and are binding on Holding Company and are enforceable against Holding Company in accordance with their terms (except as enforceability 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).

4. Neither the ratification and approval of the Reorganization Agreement and the execution and delivery by Holding Company of the Merger Agreements, nor the consummation by Holding Company of the Mergers, will (a) result in a violation of any statute, rule or regulation of any government or any agency of any government binding on Holding Company, or any judgment, order, or decree of any court or other agency of any government known to such counsel after due inquiry and binding upon Holding Company, (b), upon such event or with the lapse of time or notice or declaration of any third party, result in a violation of, constitute a default under, accelerate the performance provided by the terms of, or result in the creation of any lien, charge, or encumbrance upon any of the material assets or properties of Holding Company under, any contract, agreement or instrument known to such counsel after due inquiry to which Holding Company is a party or by which Holding Company is bound; or (c) result in or constitute a violation of the Articles of Incorporation or Regulations of Holding Company.

5. Except as contemplated by the Reorganization Agreement, to such counsel's knowledge after due inquiry, no consent, approval, authorization or order of, or filing with, any court or regulatory authority is required of or by Holding Company for the valid authorization and approval of the Reorganization Agreement by Holding Company and the valid authorization, execution and delivery of the Merger Agreements by Holding Company and the consummation of the transactions contemplated thereby.

6. All Regulatory Approvals required to be obtained by Holding Company in order to permit consummation by Holding Company of the transactions contemplated by the Reorganization Agreement have been obtained and, to such counsel's knowledge after due inquiry, remain in full force and effect.

7. To such counsel's knowledge after due inquiry, and except for matters described in this paragraph pending, threatened or asserted against both CEI and TE as well as Holding Company, as to which such counsel need express no opinion, no litigation, proceeding or governmental investigation is pending or threatened against or relates to Holding Company, or its officers, directors, employees or shareholders, as such, which seeks to restrain or enjoin the transactions contemplated by the Reorganization Agreement.

8. Such counsel have advised Holding Company as to the requirements of the 1933 Act and the 1934 Act and the rules and regulations thereunder and have rendered legal assistance in connection with, and have participated in, the preparation of the Proxy and Merger Registration Statement. From time to time such counsel have had discussions with and made inquiry of officers, directors and employees of Holding Company and the independent accountants who reviewed certain of the pro forma financial information relating to Holding Company included in the Proxy and Merger Registration Statement concerning the information contained in the Proxy and Merger Registration Statement and the proposed responses to various items of SEC Form S-4 insofar as they relate to Holding Company. Based thereon such counsel are of the opinion that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meetings of CEI and TE shareholders to which it related, and insofar as they relate to Holding Company, the Proxy and Merger Registration Statement, and any amendment or supplement thereto (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), complied as to form in all material respects with the 1933 Act and the 1934 Act and the rules and regulations thereunder. Such counsel have not independently checked the accuracy or completeness of, or otherwise independently verified, any statements of fact contained in the Proxy and Merger Registration Statement, including any document incorporated or deemed to be incorporated therein by reference. Based upon the participation, discussions and inquiries described above, however, such counsel have no reason to believe that, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meetings of CEI and TE shareholders to which it related, and insofar as they relate to Holding Company, the Proxy and Merger Registration Statement, and any amendment or supplement thereto (except for the financial statements, schedules and other financial data included therein, as to which such counsel need express no opinion), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. Insofar as they relate to Holding Company, as of the effective date of the Proxy and Merger Registration Statement and as of the date of the meetings of CEI and TE shareholders to which it related, the descriptions in the Proxy and Merger Registration Statement of statutes, legal and governmental proceedings, contracts and other documents (which descriptions shall be identified by CEI or TE prior to the effective date of the Proxy and Merger Registration Statement or, in the case of any supplement thereto or amendment thereof, prior to the date thereof, and which descriptions shall be identified in such opinion by references to captions in the Proxy and Merger Registration Statement or by other appropriate reference) were accurate and fairly presented in all material respects the information required to be shown; and after due inquiry such counsel do not know of any statutes or legal or governmental proceedings relating to Holding Company required to be described in the Proxy and Merger Registration Statement that were not described as required, or of any contracts or documents relating to Holding Company of a character required to be described in the Proxy and Merger Registration Statement or to be filed as exhibits thereto that were not described and filed as required.

10. The shares of Holding Company Common Stock to be exchanged for the issued and outstanding shares of CEI Common and TE Common pursuant to the provisions of the Reorganization Agreement and the Merger Agreements, and to be issued after the Effective Time upon the exercise of CEI Options adjusted as contemplated by the East Merger Agreement, have been duly authorized for listing on the New York Stock Exchange subject to official notice of issuance.

11. Upon the filing of certificates of merger with the Secretary of the State of Ohio, the Mergers will be effective in accordance with the laws of the State of Ohio.

In expressing their opinion as to matters of fact relevant to conclusions of law, such counsel may rely, to the extent they deem proper, upon certificates of responsible officers or agents of Holding Company and of public officials.

EXHIBIT M

Substance of Comfort Letter From Holding Company Accountants

1. They are independent public accountants with respect to Holding Company within the meaning of the 1933 Act and the 1934 Act and the rules and regulations thereunder, and the answer to Item 8 of the Proxy and Merger Registration Statement is correct as it applies to them.

2. They have reviewed the proforma financial information included in the Proxy and Merger Registration Statement reflecting the consummation of the transactions contemplated by the Reorganization Agreement and related adjustments (the "Proforma Financial Information"). On the basis of procedures referred to in such letter, nothing came to their attention that caused them to believe that the historical Proforma Financial Information is not properly compiled on the basis described in the Proxy and Merger Registration Statement or does not give effect, in all material respects, to the assumptions stated therein, or does not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1934 Act and the rules and regulations thereunder.

3. In their opinion, the Mergers referred to in the Proxy and Merger Registration Statement conform with the principles, guides, rules and criteria of APB Opinion No. 16 and Financial Reporting Policies Section 201.01 of the Securities and Exchange Commission, and they concur in the treatment of each of the Mergers as a pooling of interests.

MORGAN STANLEY

MORGAN STANLEY & CO.
INCORPORATED
1251 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020

, 1985

Board of Directors
The Cleveland Electric Illuminating Company
The Illuminating Building
55 Public Square
Cleveland, Ohio 44113

Sister and Gentlemen:

The Cleveland Electric Illuminating Company ("CEI"), The Toledo Edison Company ("Toledo Edison") and North Holding Company, a newly formed Ohio Corporation ("Holding"), have entered into an agreement pursuant to which CEI and Toledo Edison will become wholly-owned subsidiaries of Holding. The terms of the proposed transaction are set forth in an Agreement and Plan of Reorganization, dated June 25, 1985 (the "Agreement"), among CEI, Toledo Edison and Holding, which appears as Appendix I to the Joint Proxy Statement/Prospectus dated of Holding, CEI and Toledo Edison (the "Proxy Statement") relating to the transaction. The Agreement provides, among other things, that each outstanding share of CEI Common Stock will be converted into 1.11 shares of Holding Common Stock, and each share of Toledo Edison Common Stock will be converted into one share of Holding Common Stock (together, the "Exchange Ratios"). You have asked us whether, in our opinion, the Exchange Ratios are fair to the Common Stockholders of CEI from a financial point of view.

For purposes of this opinion and in connection with our review of the proposed transaction, we have studied, among other things, the pro forma percentage of Common Stockholders' Equity of Holding which would be owned by present Common Stockholders of CEI. We have reviewed certain publicly available information with respect to CEI and Toledo Edison including, among other things, the historical earnings, cash flows, dividends, and book values, both in the aggregate and on a per share basis, as well as the current capitalization of CEI and Toledo Edison. We have studied the consolidated financial statements of CEI and Toledo Edison for recent years and interim periods to date and certain other relevant financial and operating data for CEI and Toledo Edison available from published sources. We have analyzed published information regarding certain other comparable electric utilities and have compared the operations of CEI and Toledo Edison to these companies from a financial point of view. We have reviewed certain internal financial and operating data provided to us by CEI and Toledo Edison and have had discussions regarding the businesses, prospects, facilities and certain assets of CEI and Toledo Edison with certain members of their respective managements. We have reviewed and analyzed the ongoing commitments of CEI and Toledo Edison for construction and operation of nuclear power facilities, as members of the Central Area Power Coordinating Group ("CAPCO"). We have analyzed the pro forma effect of the proposed transaction on CEI's Common Stockholders with respect to prospective earnings, dividends, cash flows and book values, both in the aggregate and on a per share basis. We have also analyzed the prospective pro forma credit statistics of Holding.

We have reviewed the terms of the Agreement and, to the limited extent publicly available, of certain comparable business combinations. We have also reviewed certain market price, trading volume and dividend data for CEI Common Stock and Toledo Edison Common Stock from 1978 to date. We have made such other studies and analyses as we deemed necessary.

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

We have read the Proxy Statement and relied on the information contained therein. We have not undertaken any independent verification of the accuracy or completeness of any information concerning CEI or Toledo Edison which has been furnished to us or other data which we have considered in our review and, for the purposes of the opinion set forth below, have relied upon and assumed the accuracy and completeness of all such information and data.

As you are aware, Morgan Stanley has from time to time rendered various investment banking services to Toledo Edison.

Based on the foregoing, we are of the opinion that the Exchange Ratios are fair to the Common Stockholders of CEI from a financial point of view.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

Merrill Lynch Capital Markets

Investment Banking Division

One Liberty Plaza
165 Broadway
New York, New York
10080

Telephone
212/637-7455

, 1985

Board of Directors
The Toledo Edison Company
Edison Plaza
300 Madison Avenue
Toledo, Ohio 43652

Gentlemen:

You have asked us to render our opinion as to the fairness, from a financial point of view, to the common shareholders of The Toledo Edison Company ("Toledo") of the exchange ratios (the "Exchange Ratios"), as described in the following paragraph, in a proposed reorganization (the "Reorganization") as set forth in an Agreement and Plan of Reorganization, dated June 25, 1985 (the "Agreement"), among Toledo, The Cleveland Electric Illuminating Company ("CEI") and North Holding Company ("Holding"), a newly formed Ohio corporation.

The Agreement provides, among other things, that Toledo and CEI will become wholly-owned subsidiaries of Holding. Holders of Toledo common stock will be entitled to receive 1.00 share of Holding common stock in exchange for each share of Toledo common stock and holders of CEI common stock will be entitled to receive 1.11 shares of Holding common stock in exchange for each of CEI common stock. The Agreement establishes the aforesaid fixed Exchange Ratios without any limitations.

In developing our opinion, we have, among other things:

(1) Reviewed the Annual Reports, Forms 10-K and certain other public financial information of Toledo and CEI for the five years ended December 31, 1984;

(2) Reviewed the quarterly reports on Form 10-Q of Toledo and CEI for the period ended March 31, 1985;

(3) Reviewed certain internal historical and projected financial and operating data provided to us by Toledo and CEI;

(4) Discussed with the managements of each of Toledo and CEI the operations and future business prospects for each company;

(5) Reviewed the trading activity for Toledo and CEI common stocks, and considered the historical and current market prices of each and their relationship to each other;

(6) Reviewed and analyzed the status of current and anticipated future commitments of Toledo and CEI for construction and operation of nuclear power facilities as members of the Central Area Power Coordinating Group ("CAPCO");

(7) Compared the financial performance and financial condition of Toledo and CEI with those of certain publicly traded utilities which we deemed to be reasonably similar to Toledo and CEI;

(8) Considered the relative contributions of each company on a pro forma historical and projected basis to the combined net income applicable to common stock, book value of common equity, operating cash flow, and fixed assets of Holding;

(9) Considered the pro forma historical and projected per share earnings, cash flow and dividends of Holding shares to be exchanged for Toledo and CEI shares;

(10) Compared the combination of Toledo and CEI with certain other mergers and acquisitions which we deemed to have certain characteristics reasonably similar to certain characteristics of the proposed transaction; and

(11) Reviewed the joint Proxy Statement dated in connection with the proposed Reorganization.

In arriving at our opinion, we also have considered such other factors as we deemed appropriate.

In preparing our opinion, we have relied upon Toledo and CEI with respect to the accuracy and completeness of the financial and other information respectively provided by each company. We have neither independently verified such information, nor made an independent evaluation of any of the assets of Toledo or of CEI.

Based upon the foregoing, it is our opinion that the Exchange Ratios contemplated in the proposed Reorganization are fair, from a financial point of view, to the common shareholders of Toledo.

Very truly yours,

MERRILL LYNCH CAPITAL MARKETS

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: _____
Managing Director

1701.84 Dissenting shareholders entitled to relief

The following are entitled to relief as dissenting shareholders under section 1701.85 of the Revised Code:

(A) Shareholders of a domestic corporation which is being merged or consolidated into a surviving or new corporation, domestic or foreign, pursuant to section 1701.78 or 1701.79 of the Revised Code;

(B) In the case of a merger into a domestic corporation, shareholders of the surviving corporation who under section 1701.78 of the Revised Code are entitled to vote on the adoption of an agreement of merger, but only as to the shares so entitling them to vote;

(C) Shareholders, other than the parent corporation, of a domestic subsidiary corporation which is being merged into the domestic or foreign parent corporation pursuant to section 1701.80 of the Revised Code;

(D) In the case of a combination or a majority share acquisition, shareholders of the acquiring corporation who under section 1701.83 of the Revised Code are entitled to vote on such transaction, but only as to the shares so entitling them to vote.

1701.85 Relief for dissenting shareholders; qualifications; procedures

(A) (1) A shareholder of a domestic corporation is entitled to relief as a dissenting shareholder in respect of the proposals in sections 1701.74, 1701.76, and 1701.84 of the Revised Code, only in compliance with this section.

(2) In the case where the proposal must be submitted to the shareholders of the corporation involved, the dissenting shareholder must be a record holder of the shares of the corporation as to which he seeks relief as of the date fixed for the determination of shareholders entitled to notice of a meeting of the shareholders at which the proposal is to be submitted, and such shares must not have been voted in favor of the proposal. Not later than ten days after the date on which the vote on such proposal was taken at the meeting of the shareholders, the shareholder must deliver to the corporation a written demand for payment to him of the fair cash value of the shares as to which he seeks relief, stating his address, the number and class of such shares, and the amount claimed by him as the fair cash value of the shares.

(3) In the case of a merger pursuant to section 1701.80 of the Revised Code, the dissenting shareholder must be a record holder of the shares of the corporation as to which he seeks relief as of the date on which the agreement of merger was adopted by the directors of that corporation. Within twenty days after there has been sent to him the notice provided in that section, the shareholder must deliver to the corporation a written demand for payment with the same information as that provided for in division (A)(2) of this section.

(4) In the case of a merger or consolidation, a demand served on the constituent corporation involved constitutes service on the surviving or the new corporation, whether served before, on, or after the effective date of the merger or consolidation.

(5) If the corporation sends to the dissenting shareholder, at the address specified in his demand, a request for the certificates representing the shares as to which he seeks relief, he shall, within fifteen days from the date of the sending of such request, deliver to the corporation the certificates requested, in order that the corporation may forthwith endorse on them a legend to the effect that demand for the fair cash value of such shares has been made. The corporation shall promptly return such endorsed certificates to the shareholder. Failure on the part of the shareholder to deliver such certificates terminates his rights as a dissenting shareholder, at the option of the

corporation, exercised by written notice sent to him within twenty days after the lapse of the fifteen day period above mentioned, unless a court for good cause shown otherwise directs. If shares represented by a certificate on which such a legend has been endorsed are transferred, each new certificate issued for them shall bear a similar legend, together with the name of the original dissenting holder of such shares. Upon receiving a demand for payment from a dissenting shareholder who is the record holder of uncertificated securities, the corporation shall make an appropriate notation thereof in its shareholder records. If uncertificated shares for which payment has been demanded are to be transferred, any new certificate issued therefor shall bear the legend required for certificated securities as provided in this paragraph. A transferee of the shares so endorsed, or of uncertificated securities where such notation has been made, acquires only such rights in the corporation as the original dissenting holder of such shares had immediately after the service of a demand for payment of the fair cash value of the shares. Such request by the corporation is not an admission by the corporation that the shareholder is entitled to relief under this section.

(B) Unless the corporation and the dissenting shareholder shall have come to an agreement on the fair cash value per share of the shares as to which he seeks relief, the shareholder or the corporation, which in case of a merger or consolidation may be the surviving or the new corporation, may, within three months after the service of the demand by the shareholder, file a petition in the court of common pleas of the county in which the principal office of the corporation which issues such shares is located, or was located at the time when the proposal was adopted by the shareholders of the corporation, or, if the same was not required to be submitted to the shareholders, was approved by the directors. Other dissenting shareholders, within the period of three months, may join as plaintiffs, or may be joined as defendants in any such proceeding, and any two or more such proceedings may be consolidated. The petition shall contain a brief statement of the facts, including the vote and the facts entitling the dissenting shareholder to the relief demanded. No answer to such petition is required. Upon the filing of the petition, the court, on motion of the petitioner, shall enter an order fixing a date for hearing the petition, and requiring that a copy of the petition and a notice of the filing and of the date for hearing be given to the respondent or defendant in the manner in which summons is required to be served or substituted service is required to be made in other cases. On the day fixed for hearing on the petition or any adjournment thereof, the court shall determine from the petition and from such evidence as is submitted by either party whether the shareholder is entitled to be paid the fair cash value of any shares and, if so, the number and class of such shares. If the court finds that the shareholder is so entitled, the court may appoint one or more persons as appraisers to receive evidence and to recommend a decision on the amount of the fair cash value. The appraisers have such power and authority as is specified in the order of their appointment. The court shall thereupon make a finding as to the fair cash value of a share, and shall render judgment against the corporation for the payment of it, with interest at such rate and from such date as the court considers equitable. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable. Such a proceeding shall be a special proceeding within the meaning of section 2505.02 of the Revised Code, and final orders in it may be vacated, modified, or reversed as provided in sections 2505.01 to 2505.45 of the Revised Code. If during the pendency of any proceeding instituted under this section a suit or proceeding is or has been instituted to enjoin or otherwise to prevent the carrying out of the action as to which the shareholder has dissented, the proceeding instituted under this section shall be stayed until the final determination of the other suit or proceeding. Unless any provision in division (D) of this section is applicable, the fair cash value of the shares as agreed upon by the parties or as fixed under this section shall be paid within thirty days after the date of final determination of such value under this division or the effective date of the amendment to the articles or the consummation of the other action involved, whichever occurs last. Upon the occurrence of the last such event, payment shall be made immediately to a holder of uncertificated securities entitled to such payment. In the case of holders of shares represented by certificates, payment shall be made only upon and simultaneously with the surrender to the corporation of the certificates representing the shares for which such payment is made.

(C) In the case where the proposal was required to be submitted to the shareholders of the corporation, fair cash value shall be determined as of the day prior to that on which the vote by the shareholders was taken, or, in the case of a merger pursuant to section 1701.80 of the Revised Code, the day before the adoption of the agreement of merger by the directors of the particular subsidiary corporation. The fair cash value of a share for the purposes of this section, is the amount which a willing seller, under no compulsion to sell, would be willing to accept, and which a willing buyer, under no compulsion to purchase, would be willing to pay, but in no event shall the amount thereof exceed the amount specified in the demand of the particular shareholder. In computing such fair cash value, any appreciation or depreciation in market value resulting from the proposal submitted to the directors or to the shareholders shall be excluded.

(D) The right and obligation of a dissenting shareholder to receive such fair cash value and to sell such shares as to which he seeks relief, and the right and obligation of the corporation to purchase such shares and to pay the fair cash value of them terminates if:

(1) Such shareholder has not complied with this section, unless the corporation by its directors waives such failure;

(2) The corporation abandons, or is finally enjoined or prevented from carrying out, or the shareholders rescind their adoption of the action involved;

(3) The shareholder withdraws his demand, with the consent of the corporation by its directors;

(4) The corporation and the dissenting shareholder shall not have come to an agreement as to the fair cash value per share, and neither the shareholder nor the corporation shall have filed or joined in a petition under division (B) of this section within the period provided.

(E) From the time of giving the demand, until either the termination of the rights and obligations arising therefrom or the purchase of the shares by the corporation, all other rights accruing from such shares, including voting and dividend or distribution rights, are suspended. If during suspension, any dividend or distribution is paid in money upon shares of such class, or any dividend, distribution, or interest is paid in money upon any securities issued in extinguishment of or in substitution for such shares, an amount equal to the dividend, distribution, or interest which, except for said suspension, would have been payable upon such shares or securities, shall be paid to the holder of record as a credit upon the fair cash value of the shares. If the right to receive fair cash value is terminated otherwise than by the purchase of the shares by the corporation, all rights of the holder shall be restored and all distributions which, except for suspension, would have been made shall be made to the holder of record of the shares at the time of termination.

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NORTH HOLDING COMPANY,

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

AND

THE TOLEDO EDISON COMPANY

132,376,000 shares of
North Holding Company
Common Stock

JOINT PROXY STATEMENT/PROSPECTUS

Special Meetings of
Shareowners
to be Held
November 26, 1985

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20 Indemnification of Directors and Officers

The Holding Company Regulations provide for the indemnification of any director or officer or any former director or officer of the Holding Company or any person who is or has served at the request of the Holding Company as a director, officer or trustee of another corporation, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorney's fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent and according to the procedures and requirements set forth in any applicable law as the same may be in effect from time to time. The Regulations of the Holding Company state that the indemnification provided for therein shall not be deemed to restrict the right of the Holding Company to indemnify employees, agents and others as permitted by any applicable law.

The indemnification provisions of the Holding Company's Regulations are substantively comparable to the officer and director indemnification authority granted to corporations under Section 1701.13(E) of the Ohio Revised Code. The Holding Company may purchase insurance policies which insure directors and officers of the Holding Company and its subsidiaries against certain liabilities (excluding fines and penalties imposed by law) which might be incurred by them in such capacities and insure the Holding Company for amounts which may be paid by it to indemnify the directors and officers covered by the policies (up to the limits of such policies).

ITEM 21 Exhibits and Financial Statement Schedules

(A) **Exhibits.** The following is a list of exhibits to this Registration Statement:

2	Agreement and Plan of Reorganization between CEI and Toledo Edison, dated June 25, 1985 (reference is made to Appendix I to Part I of this Registration Statement).
3 (A)	Articles of Incorporation of the Holding Company (reference is made to Exhibit C to Exhibit 2 above).
3 (B)	Regulations of the Holding Company (reference is made to Exhibit D to Exhibit 2 above).
5	Form of Opinion of Squire, Sanders & Dempsey (to be filed by amendment).
10 (A)	East Merger Agreement (reference is made to Exhibit A to Exhibit 2 above).
10 (B)	West Merger Agreement (reference is made to Exhibit B to Exhibit 2 above).
12 (A)	Computation of "Net Earnings" Coverage Ratio under Toledo Edison's Indenture of Mortgage for Issuance of Additional First Mortgage Bonds (to be filed by amendment).
12 (B)	Computation of "Gross Income" Coverage Ratio under Toledo Edison's Amended Articles of Incorporation for Issuance of Additional Preferred Stock (to be filed by amendment).
15	Letter of Arthur Andersen & Co. regarding interim financial information.
24 (A)	Consent of Arthur Andersen & Co.
24 (B)	Consent of Squire, Sanders & Dempsey (to be included in Exhibit 5).
24 (C)	Consent of Price Waterhouse.

28 (A) Form of Opinion of Morgan Stanley & Co. Incorporated (reference is made to Appendix II to Part I of this Registration Statement).

28 (B) Form of Opinion of Merrill Lynch Capital Markets, Merrill Lynch, Pierce, Fenner & Smith Incorporated (reference is made to Appendix III to Part I of this Registration Statement).

28 (C) Form of CEI Proxy.

28 (D) Form of Toledo Edison Proxy.

28 (E) Consents of Persons About to Become Directors (to be filed by amendment).

(B) Financial Statement Schedules

No schedules are required.

ITEM 22 Undertakings

The undersigned registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

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

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

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

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

The undersigned registrant hereby undertakes that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415 will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first-class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cleveland, State of Ohio, on August 7, 1985.

NORTH HOLDING COMPANY

By: /s/ ROBERT M. GINN
Robert M. Ginn, President and
Chief Executive Officer

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

Date: August 7, 1985

/s/ J. P. WILLIAMSON
John P. Williamson, Chairman and Director

Date: August 7, 1985

/s/ ROBERT M. GINN
Robert M. Ginn, President
Chief Executive Officer and Director

Date: August 7, 1985

/s/ RICHARD A. MILLER
Richard A. Miller, Executive Vice President
Principal Financial Officer,
Principal Accounting Officer and Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Pagination by sequential numbering system
2	Agreement and Plan of Reorganization between CEI and Toledo Edison, dated June 25, 1985 (reference is made to Appendix I to Part I of this Registration Statement).	
3 (A)	Articles of Incorporation of the Holding Company (reference is made to Exhibit C to Exhibit 2 above).	
3 (B)	Regulations of the Holding Company (reference is made to Exhibit D to Exhibit 2 above).	
5	Form of Opinion of Squire, Sanders & Dempsey (to be filed by amendment).	
10 (A)	East Merger Agreement (reference is made to Exhibit A to Exhibit 2 above).	
10 (B)	West Merger Agreement (reference is made to Exhibit B to Exhibit 2 above).	
12 (A)	Computation of "Net Earnings" Coverage Ratio under Toledo Edison's Indenture of Mortgage for Issuance of Additional First Mortgage Bonds (to be filed by amendment).	
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28 (C)	Form of CEI Proxy.	
28 (D)	Form of Toledo Edison Proxy.	
28 (E)	Consents of Persons About to Become Directors (to be filed by amendment).	

EXHIBIT 15

EXHIBIT 15

LETTER REGARDING UNAUDITED FINANCIAL INFORMATION

North Holding Company:

We are aware that North Holding Company has incorporated by reference in its Registration Statement No. The Toledo Edison Company's Form 10-Q for the quarter ended March 31, 1985, which includes our report dated April 18, 1985, covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

ARTHUR ANDERSEN & CO.

Toledo, Ohio
August , 1985.

EXHIBIT 24(A)

EXHIBIT 24(A)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement on Form S-4 of our reports dated January 30, 1985, included in and incorporated by reference in The Toledo Edison Company's Annual Report on Form 10-K for the year ended December 31, 1984, and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN & CO.

Toledo, Ohio
August , 1984.

EXHIBIT 24(C)

EXHIBIT 24(C)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Joint Proxy Statement/Prospectus constituting part of this Registration Statement on Form S-4 of our report dated February 8, 1985 appearing on page 32 of The Cleveland Electric Illuminating Company's ("CEI") Annual Report on Form 10-K for the year ended December 31, 1984. The consolidated financial statements of CEI and its subsidiaries as of December 31, 1984 and the report of Price Waterhouse dated February 8, 1985, both included in the Form 10-K and incorporated by reference in such Joint Proxy Statement/Prospectus, should be read in conjunction with the matters discussed under Item 1, "Business — Construction and Financing Program — Construction Program" and "Business — Operations — Electric Rates" in the Form 10-K incorporated by reference in such Joint Proxy Statement/Prospectus and the matters discussed in CEI's current reports on Form 8-K incorporated by reference in such Joint Proxy Statement/Prospectus and the matters discussed within "Selected Information Concerning CEI" under the headings "Perry Unit 2 AFUDC Accrual," "Davis-Besse," and "Rates" in this Joint Proxy Statement/Prospectus. We also consent to the reference to us under the heading "Experts" in such Joint Proxy Statement/Prospectus.

PRICE WATERHOUSE

Cleveland, Ohio
August , 1985

EXHIBIT 28(C)

EXHIBIT 28(C)

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY • COMMON STOCK PROXY

Robert M. Ginn, Richard A. Miller and Harold L. Williams, or any one or more of them present, the action of a majority present to be controlling, are hereby appointed my proxies and authorized to represent me, and to vote and act for me, at the Special Meeting of Shareowners of The Cleveland Electric Illuminating Company to be held on November 26, 1985, and at all adjournments thereof, to vote:

Proposal 1 to approve and adopt the Agreement and Plan of Reorganization between The Cleveland Electric Illuminating Company and The Toledo Edison Company and to approve and adopt the Agreement of Merger among The Cleveland Electric Illuminating Company, North Holding Company and The East Merger Company;

☐ For ☐ Against ☐ Abstain

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and upon any other business that may properly come before the meeting.

(continued and to be signed on other side)

(Continued from other side)

THIS PROXY IS SOLICITED BY COMPANY MANAGEMENT ON BEHALF OF THE BOARD OF DIRECTORS. WHERE NOT OTHERWISE SPECIFIED THIS PROXY WILL BE VOTED FOR PROPOSAL 1. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.

X _____

Please sign name EXACTLY as shown at left.

_____

For joint accounts, EACH joint owner MUST SIGN.

When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

DATE _____, 1985

EXHIBIT 28(A)

EXHIBIT 28(D)

THE TOLEDO EDISON COMPANY • COMMON STOCK PROXY

Samuel G. Carson, John P. Williamson, and Paul M. Smart, or any one or more of them present, the action of a majority present to be controlling, are hereby appointed my proxies and authorized to represent me, and to vote and act for me, at the Special Meeting of Shareowners of The Toledo Edison Company to be held on November 26, 1985, and at all adjournments thereof, to vote:

Proposal 1 to approve and adopt the Agreement and Plan of Reorganization between The Toledo Edison Company and The Cleveland Electric Illuminating Company and to approve and adopt the Agreement of Merger among The Toledo Edison Company, North Holding Company and The West Merger Company;

☐ For ☐ Against ☐ Abstain

---

and upon any other business that may properly come before the meeting.

(continued and to be signed on other side)

(Continued from other side)

THIS PROXY IS SOLICITED BY COMPANY MANAGEMENT ON BEHALF OF THE BOARD OF DIRECTORS. WHERE NOT OTHERWISE SPECIFIED THIS PROXY WILL BE VOTED FOR PROPOSAL 1. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.

X _____

Please sign name EXACTLY as shown at left.

_____

For joint accounts, EACH joint owner MUST SIGN.

When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

DATE _____, 1985