

SEMPRA ENERGY
 Form 424B5
 July 12, 2018
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Filed Pursuant to Rule 424(b)(5)
 Registration No. 333-220257

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee ⁽⁴⁾
6.75% Mandatory Convertible Preferred Stock, Series B	5,750,000 shares ⁽¹⁾	\$100.00	\$575,000,000.00	\$71,587.50
Common stock	⁽²⁾			⁽³⁾

- (1) Includes 750,000 shares of 6.75% Mandatory Convertible Preferred Stock, Series B (the Mandatory Convertible Preferred Stock), issuable upon exercise of the underwriters' option to purchase additional shares of Mandatory Convertible Preferred Stock from the registrant solely to cover over-allotments, if any.
- (2) Includes (i) 5,054,825 shares of common stock issuable upon conversion of 5,750,000 shares of Mandatory Convertible Preferred Stock at the initial maximum conversion rate of 0.8791 shares of common stock per share of Mandatory Convertible Preferred Stock; and (ii) up to 2,930,063 shares of common stock issuable upon conversion of 5,750,000 shares of Mandatory Convertible Preferred Stock on the mandatory conversion date or an early conversion date or upon a conversion during a fundamental change conversion period on account of unpaid dividends, based on the initial floor price of \$39.8125 per share of common stock, as described in the accompanying prospectus supplement. Under Rule 416, the number of shares of common stock whose offer and sale are registered hereby includes an indeterminate number of shares of common stock that may be issued in connection with stock splits, stock dividends, or similar transactions.
- (3) Under Rule 457(i), there is no additional filing fee payable with respect to the shares of common stock issuable upon conversion of the Mandatory Convertible Preferred Stock because no additional consideration will be received in connection with the exercise of the conversion privilege.
- (4) Calculated in accordance with Rule 457(r) and Rule 456(b) under the Securities Act of 1933, as amended.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated January 2, 2018)

5,000,000 Shares

6.75% Mandatory Convertible Preferred Stock, Series B

We are offering 5,000,000 shares of our 6.75% Mandatory Convertible Preferred Stock, Series B (Series B Mandatory Convertible Preferred Stock).

Dividends on the Series B Mandatory Convertible Preferred Stock will be payable on a cumulative basis when, as and if declared by our board of directors at an annual rate of 6.75% on the liquidation preference of \$100.00 per share. We may pay declared dividends in cash or, subject to certain limitations, in shares of our common stock, no par value, or by delivery, at our election, of any combination of cash and shares of our common stock on January 15, April 15, July 15 and October 15 of each year, commencing on October 15, 2018, and to, and including, July 15, 2021.

Unless earlier converted, each share of the Series B Mandatory Convertible Preferred Stock will automatically convert on the second business day immediately following the last trading day of the settlement period into between 0.7326 and 0.8791 shares of our common stock, subject to anti-dilution adjustments. The number of shares of our common stock issuable on conversion of the Series B Mandatory Convertible Preferred Stock will be determined based on the average VWAP (as defined herein) per share of our common stock over the 20 consecutive trading day period beginning on and including the 21st scheduled trading day immediately preceding July 15, 2021, which we refer to as the settlement period. At any time prior to July 15, 2021, holders may elect to convert each share of the Series B Mandatory Convertible Preferred Stock into shares of our common stock at the minimum conversion rate of 0.7326 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock, subject to anti-dilution adjustments; *provided, however*, that if holders elect to convert any shares of the Series B Mandatory Convertible Preferred Stock during a specified period beginning on the effective date of a fundamental change (as defined herein), such shares of the Series B Mandatory Convertible Preferred Stock will be converted into shares of our common stock at the fundamental change conversion rate (as defined herein), and the holders will also be entitled to receive a fundamental change dividend make-whole amount and accumulated dividend amount (each as defined herein).

Concurrently with this offering, we are offering (the Concurrent Offering) 9,750,000 shares of our common stock pursuant to forward sale agreements we expect to enter into with the forward purchasers identified in the prospectus supplement for the Concurrent Offering. The Concurrent Offering is being made by means of a separate prospectus supplement and not by means of this prospectus supplement. The completion of this offering is not contingent on completion of the Concurrent Offering, and the completion of the Concurrent Offering is not contingent on the completion of this offering.

We intend to use the net proceeds we receive from this offering and pursuant to the forward sale agreements we plan to enter into in connection with the Concurrent Offering, if completed, to repay outstanding commercial paper, to fund

working capital and for other general corporate purposes. See [Summary Information](#) and [Use of Proceeds](#).

Prior to this offering, there has been no public market for the Series B Mandatory Convertible Preferred Stock. We intend to apply to have the Series B Mandatory Convertible Preferred Stock listed on the New York Stock Exchange under the symbol SREPRB. Our common stock is listed on the New York Stock Exchange under the symbol SRE. On July 10, 2018, the last reported sale price of our common stock on the New York Stock Exchange was \$117.30 per share.

Investing in the Series B Mandatory Convertible Preferred Stock involves risks. See the [Risk Factors](#) section on page S-25 of this prospectus supplement.

	Per Share	Total
Public Offering Price	\$ 100.00	\$ 500,000,000
Underwriting Discount	\$ 1.65	\$ 8,250,000
Proceeds to Sempra Energy (before expenses)	\$ 98.35	\$ 491,750,000

We have granted the underwriters the option, exercisable in whole or from time to time in part, to purchase up to an additional 750,000 shares of our Series B Mandatory Convertible Preferred Stock from us solely to cover over-allotments, if any, at the public offering price per share shown above, less the underwriting discount and subject to possible adjustment as described under [Underwriting \(Conflicts of Interest\)](#), exercisable for 30 days after the date of this prospectus supplement.

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

The underwriters expect to deliver the Series B Mandatory Convertible Preferred Stock to purchasers on or about July 13, 2018.

Joint Book-Running Managers

**Citigroup
BofA Merrill Lynch
Goldman Sachs & Co. LLC**

Credit Suisse

**J.P. Morgan
Deutsche Bank Securities
Wells Fargo Securities**

Senior Co-Managers

**BNP PARIBAS
MUFG**

Credit Agricole CIB

**Mizuho Securities
UBS Investment Bank**

July 10, 2018

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of our Series B Mandatory Convertible Preferred Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to our Series B Mandatory Convertible Preferred Stock. If the description of our Series B Mandatory Convertible Preferred Stock or the offering of our Series B Mandatory Convertible Preferred Stock varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus issued by us. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell our Series B Mandatory Convertible Preferred Stock and seeking offers to buy our Series B Mandatory Convertible Preferred Stock only in jurisdictions where offers and sales are permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and any such free writing prospectus is accurate only as of their respective dates and the information contained in documents incorporated by reference is accurate only as of the respective dates of those documents, in each case regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or any such free writing prospectus or any sale of our Series B Mandatory Convertible Preferred Stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

The distribution of this prospectus supplement, the accompanying prospectus and any related free writing prospectus filed with the U.S. Securities and Exchange Commission (the "SEC") and the offering of our Series B Mandatory Convertible Preferred Stock in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement, the accompanying prospectus and any such free writing prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement, the accompanying prospectus and any such free writing prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See "Underwriting (Conflicts of Interest)".

Notice to Prospective Investors in the European Economic Area

None of this prospectus supplement, the accompanying prospectus or any related free writing prospectus is a prospectus for the purposes of the Prospectus Directive (as defined below). This prospectus supplement, the accompanying prospectus and any related free writing prospectus have been prepared on the basis that any offer of our Series B Mandatory Convertible Preferred Stock in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of our Series B Mandatory Convertible Preferred Stock. Accordingly, any person making or intending to make an offer in that Relevant Member State of our Series B Mandatory Convertible Preferred Stock which is the subject of the offering contemplated in this prospectus supplement, the accompanying prospectus and any related free writing prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do we or they authorize, the making of any offer of our Series B Mandatory Convertible Preferred Stock in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes

any relevant implementing measure in the Relevant Member State.

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Notice to Prospective Investors in the United Kingdom

The communication of this prospectus supplement, the accompanying prospectus, any related free writing prospectus and any other document or materials relating to the issue of our Series B Mandatory Convertible Preferred Stock offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the FSMA). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as relevant persons). In the United Kingdom, the Series B Mandatory Convertible Preferred Stock offered hereby is only available to, and any investment or investment activity to which this prospectus supplement, the accompanying prospectus and any related free writing prospectus relate will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement, the accompanying prospectus or any related free writing prospectus or any of their contents.

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CERTAIN DEFINITIONS; BASIS OF PRESENTATION

In this prospectus supplement, unless otherwise expressly stated or the context requires otherwise:

Sempra Energy, we, us, our and similar references refer to Sempra Energy and its subsidiaries;

Common Stock Offering or Concurrent Offering means the concurrent offering of 9,750,000 shares of our common stock, including shares offered and sold by the forward sellers, any shares that, under specified limited circumstances, we may be required to offer and sell in such offering in lieu of shares that would otherwise have been offered and sold by the forward sellers and up to an additional 1,462,500 shares of common stock that the underwriters of such offering may elect to purchase directly from us to cover over-allotments, if any. Unless otherwise expressly stated or the context otherwise requires, references herein to the proceeds we receive from the Common Stock Offering and similar references mean the proceeds, if any, that we receive upon settlement of the forward sale agreements we plan to enter into in connection with the Common Stock Offering, the issuance and sale of any shares that, under specified limited circumstances, we may be required to offer and sell in such offering in lieu of shares that would otherwise have been offered and sold by the forward sellers and the issuance and sale of any additional shares of our common stock that the underwriters of such offering may elect to purchase directly from us solely to cover over-allotments, if any;

EFH refers to Energy Future Holdings Corp. (now Sempra Texas Holdings Corp.), which indirectly owns all of the outstanding membership interests of Oncor Holdings;

Existing Forward Sale Agreements means the forward sale agreements we entered into in January 2018, as amended in February 2018, to provide a portion of the financing for the Oncor Merger Consideration, which agreements provide for us to issue and sell to the forward purchasers named therein, on settlement dates specified by us on or before December 15, 2019, a total of 23,364,486 shares of our common stock at an initial forward sale price of \$105.074 per share, subject to adjustment of such price as provided in such forward sale agreements and subject to our right to elect cash settlement or net share settlement. As of June 30, 2018, we had issued a total of 16,208,301 shares upon settlement of a portion of the Existing Forward Sale Agreements and remained obligated to issue an additional 7,156,185 shares pursuant to the Existing Forward Sale Agreements (subject to our right to elect cash settlement or net share settlement);

Financing Transactions means this offering and the Concurrent Offering;

forward purchasers means, unless otherwise expressly stated or the context otherwise requires, an affiliate of Citigroup Global Markets Inc. and an affiliate of J.P. Morgan Securities LLC, which will be parties to the respective forward sale agreements we plan to enter into in connection with the Common Stock Offering;

forward sale agreements means, unless otherwise expressly stated or the context otherwise requires, the forward sales agreements we plan to enter into in connection with the Common Stock Offering;

forward sellers means the forward purchasers or their respective affiliates, as applicable, who are borrowing from third parties and selling to the underwriters of the Common Stock Offering an aggregate of 9,750,000 shares of our common stock, in their capacity as such borrowers and sellers;

minority member means Texas Transmission Investment LLC, which owns 19.75% of the outstanding membership interests in Oncor;

Oncor refers to Oncor Electric Delivery Company LLC;

Oncor Holdings refers to Oncor Electric Delivery Holdings Company LLC, which owns 80.25% of the outstanding membership interests in Oncor;

Oncor Merger means the March 9, 2018 merger of EFH with an indirect, wholly owned subsidiary of Sempra Energy, with EFH continuing as the surviving company and an indirect, wholly owned subsidiary of Sempra Energy;

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Oncor Merger Consideration means the approximately \$9.45 billion in cash we paid as consideration for the Oncor Merger;

Series A Mandatory Convertible Preferred Stock means our outstanding 6% Mandatory Convertible Preferred Stock, Series A;

Series B Mandatory Convertible Preferred Stock means our 6.75% Mandatory Convertible Preferred Stock, Series B; and

this offering means our issuance and sale of shares of our Series B Mandatory Convertible Preferred Stock and any additional shares of the Series B Mandatory Convertible Preferred Stock that the underwriters may elect to purchase from us solely to cover over-allotments, if any.

Unless otherwise specified or the context requires otherwise, information in this prospectus supplement assumes that (1) we do not sell any shares of common stock in the Common Stock Offering to the underwriters in lieu of shares that would otherwise have been sold by the forward seller, (2) the option we have granted to the underwriters in this offering to purchase additional shares of our Series B Mandatory Convertible Preferred Stock from us solely to cover over-allotments, if any, and the option we have granted to the underwriters in the Concurrent Offering to purchase additional shares of our common stock from us solely to cover over-allotments, if any, are not exercised, (3) we effect full physical settlement of the forward sale agreements that we enter into in connection with the Concurrent Offering, and (4) we elect to pay all dividends with respect to the Series B Mandatory Convertible Preferred Stock, if issued, in cash.

Purchasers of our Series B Mandatory Convertible Preferred Stock in this offering should not place undue reliance on the as adjusted and pro forma information, or any other information that gives effect to the assumed completion of this offering or the Concurrent Offering or the assumed full physical settlement of the forward sale agreements we plan to enter into in connection with the Concurrent Offering, included and incorporated by reference in this prospectus supplement and the accompanying prospectus. Among other things, this offering is not contingent on completion of the Concurrent Offering, and the actual amount of proceeds we receive, if any, from the sale of shares of our common stock pursuant to the forward sale agreements we plan to enter into in connection with the Concurrent Offering and from this offering may differ, perhaps substantially, from the amounts reflected in this prospectus supplement. In addition, the unaudited pro forma condensed combined financial information giving effect to the Oncor Merger and the related transactions that is incorporated into this prospectus supplement and the accompanying prospectus by reference to our Current Report on Form 8-K/A filed with the SEC on May 3, 2018 is subject to numerous estimates, assumptions and uncertainties and does not purport to reflect what our consolidated financial position or results of operations would have been had the Oncor Merger and the other transactions reflected in that pro forma financial information been completed on the dates assumed for purposes of that unaudited pro forma condensed combined financial information, nor does it purport to reflect our future financial position or results of operations.

All references to currency amounts included in this prospectus supplement are in U.S. dollars unless specifically noted otherwise.

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FORWARD-LOOKING STATEMENTS AND MARKET DATA

This prospectus supplement, the accompanying prospectus and the documents they incorporate by reference contain, and any related free writing prospectus issued by us may contain, statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. Future results may differ materially from those expressed in the forward-looking statements. Unless otherwise expressly stated, these forward-looking statements represent our estimates and assumptions only as of the respective dates of the documents in which such forward-looking statements appear. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

When we use words such as believes, expects, anticipates, plans, estimates, projects, forecasts, contemplates, depends, should, could, would, will, confident, may, can, potential, possible, proposed, target, maintain, or similar expressions, or when we discuss our guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to:

actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission (CPUC), U.S. Department of Energy, California Department of Conservation's Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, Public Utility Commission of Texas (PUCT), states, cities and counties, and other regulatory and governmental bodies in the U.S. and other countries in which we operate;

the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners and counterparties;

the resolution of civil and criminal litigation and regulatory investigations;

deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; denial of approvals of proposed settlements or modifications of settlements; and delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to amounts associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability, any of which may raise our cost of capital and materially impair our ability to finance our operations;

the greater degree and prevalence of wildfires in California in recent years and risk that we may be found liable for damages regardless of fault, such as in cases where the inverse condemnation doctrine applies, and risk that we may not be able to recover any such costs in rates from customers in California;

the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures;

changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; and the impact on the value of our investments in natural gas storage and related assets

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from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services;

risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments;

weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of insurance, to the extent that such insurance is available or not prohibitively expensive;

cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees;

our ability to successfully execute our plan to divest certain non-utility assets within the anticipated timeframe, if at all, or that such plan may not yield the anticipated benefits;

capital markets and economic conditions, including the availability of credit and the liquidity of our investments; and fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations;

the impact of recent federal tax reform and uncertainty as to how it may be applied, and our ability to mitigate adverse impacts;

actions by credit rating agencies to downgrade our credit ratings or those of our subsidiaries or to place those ratings on negative outlook;

changes in foreign and domestic trade policies and laws, including border tariffs, and revisions to international trade agreements, such as the North American Free Trade Agreement, that make us less competitive or impair our ability to resolve trade disputes;

the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors;

expropriation of assets by foreign governments and title and other property disputes;

the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources;

the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation and the potential risk of nonrecovery for stranded assets and contractual obligations;

the ability to realize the anticipated benefits from our investment in Oncor Holdings;

indebtedness we have incurred to fund the acquisition of our investment in Oncor Holdings, which may make it more difficult for us to repay or refinance our debt or may require us to take other actions that may decrease business flexibility and increase borrowing costs;

Oncor's ability to eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its regulatory capital structure, or because any of the three major credit rating agencies rates Oncor's senior secured debt securities below BBB (or the equivalent) or Oncor's independent directors

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or a minority member director determine it is in the best interest of Oncor to retain such amounts to meet future capital expenditures;

actions of activist shareholders, which could impact the market price of our common stock, preferred stock and other securities and disrupt our operations as a result of, among other things, requiring significant time and attention by management and our board of directors; and

other uncertainties, some of which may be difficult to predict and are beyond our control.

Forward-looking statements included in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein also include or may include statements about the anticipated benefits of the completed Oncor Merger, including future financial or operating results of Sempra Energy or Oncor, Sempra Energy's or Oncor's plans, objectives, expectations or intentions, the anticipated impact of the completed Oncor Merger on the credit ratings of Sempra Energy or Oncor, plans regarding future capital investments by Sempra Energy or Oncor, the projected growth in gross domestic product and population in Texas and the United States as a whole, future return on equity or capital structure of Sempra Energy or Oncor, and other statements that are not historical facts. Additional factors that could cause actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to:

the risk that the anticipated benefits from the completed Oncor Merger may not be fully realized or may take longer to realize than expected; and

the risk that Oncor's results of operations will not be consistent with our expectations or that Oncor's capital investment spending will be less than anticipated.

Investing in our Series B Mandatory Convertible Preferred Stock involves risk. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein and in the Business, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations sections and other sections in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. These risks, uncertainties and other factors could cause you to suffer a loss of all or part of your investment in our Series B Mandatory Convertible Preferred Stock. Before making an investment decision, you should carefully consider these factors and risks as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any related free writing prospectus issued by us. Risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations, financial results and the value of our Series B Mandatory Convertible Preferred Stock.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein and in our reports and other documents on file with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus and any related free writing prospectus issued by us. You may obtain copies of these reports and documents as described under Where You Can Find More Information in the accompanying prospectus.

This prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference in the accompanying prospectus include, and any free writing prospectus we provide you in connection with this offering may include, market, demographic and industry data and forecasts that are based on or derived from sources such as independent industry publications, publicly available information, government data and other information from third parties or that have been compiled or prepared by our management or employees, as well as information regarding Oncor and the market in which it operates. We do not guarantee the accuracy or completeness of any of this information, and we have not independently verified any of the information provided by third party sources or any of the information regarding Oncor or its market. In

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addition, market, demographic and industry data and forecasts involve estimates, assumptions and other uncertainties and are subject to change based on various factors, including those discussed under the heading **Risk Factors** in this prospectus supplement and under similar headings in documents that are incorporated or deemed to be incorporated by reference in the accompanying prospectus. In that regard, we understand that statements that Oncor operates the largest distribution and transmission system in Texas are based on the number of customers. Accordingly, you should not place undue reliance on any of this information.

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SUMMARY INFORMATION

The following information supplements, and should be read together with, the information contained in the accompanying prospectus and the documents incorporated by reference herein and therein. You should carefully read this prospectus supplement and the accompanying prospectus, as well as the documents they incorporate by reference and any related free writing prospectus issued by us, before making an investment decision. Unless we state otherwise or the context otherwise requires, references appearing in this prospectus supplement to we, us and our should be read to refer to Sempra Energy and its subsidiaries.

Sempra Energy

Sempra Energy, based in San Diego, California, is a Fortune 500 energy-services holding company whose operating units invest in, develop and operate energy infrastructure, and provide electric and gas services to customers in North and South America. Our two principal operating units are Sempra Utilities, which includes our San Diego Gas & Electric Company, Southern California Gas Company (SoCalGas), Sempra Texas Utility and Sempra South American Utilities reportable segments; and Sempra Infrastructure, which includes our Sempra Mexico, Sempra Renewables and Sempra LNG & Midstream reportable segments. For additional information concerning us, you should refer to the information described under the caption Incorporation by Reference in this prospectus and under the caption Where You Can Find More Information in the accompanying prospectus.

Our principal executive offices are located at 488 8th Avenue, San Diego, California 92101, and our telephone number is (619) 696-2000.

Recent Developments

Capital Rotation

The Sempra Energy board of directors regularly reviews our capital allocation strategy against our broader strategic objectives. These objectives seek to generate attractive risk-adjusted returns by allocating capital to businesses with scale and shared growth drivers in attractive markets where we can leverage our core competencies. We are currently executing the first phase of a three phase plan designed to achieve our strategic and capital allocation objectives and support our North American utility and long-term contracted infrastructure business focus.

Phase 1 of our portfolio review is an evaluation of U.S. wind and solar generation assets and investments in our Sempra Renewables reportable segment and U.S. midstream assets in our Sempra LNG & Midstream reportable segment. In connection with Phase 1, as announced on June 28, 2018, our board of directors approved a plan to divest certain non-utility natural gas storage assets in the southeast U.S. and all of our U.S. wind and U.S. solar assets (collectively, the Assets). Included in the plan of sale of the Assets are certain natural gas storage assets at our Sempra LNG & Midstream reportable segment and all of the wind assets and investments and solar assets and investments at our Sempra Renewables reportable segment.

Phase 2 of our portfolio review will continue to objectively review our South American utilities, Chilquinta Energía S.A. (Chilquinta Energía), a wholly owned subsidiary in Chile, and Luz del Sur S.A.A. (Luz del Sur), an 83.6-percent owned subsidiary in Peru. As we review our South American utilities, we intend to evaluate their growth prospects, how they are valued in their respective markets, their long-term strategic fit and financial impacts within Sempra Energy. We also plan to evaluate various strategic alternatives with respect to these subsidiaries with a view to enhancing long-term shareholder value, taking into consideration that both of these businesses provide us with geographic and regulatory diversification and currently fund their operations with internally generated funds and their

own external financing.

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Phase 3 is designed to be centered around improving visibility regarding the value of our liquefied natural gas (LNG) portfolio, which includes our three-train Cameron LNG liquefaction facility currently under construction, which we anticipate will begin producing LNG at all three trains in 2019. The remaining development opportunities currently within our LNG portfolio are our Port Arthur LNG project in Texas and our Energía Costa Azul (ECA) liquefaction project in Mexico. We are actively pursuing both of these development opportunities. ECA is owned by Infraestructura Energética Nova, S.A.B. de C.V. (IEnova), a 66.4% owned Mexican subsidiary. In addition, we are considering expanding our Cameron LNG liquefaction facility to include up to two additional trains.

As a result of the plan to sell the Assets identified in Phase 1 of our portfolio review, we expect to record impairment charges related to certain of the Assets totaling approximately \$1,470 million to \$1,545 million (approximately \$870 million to \$925 million, after tax and noncontrolling interests) in the second quarter of 2018. These charges include approximately \$1,290 million to \$1,320 million at Sempra LNG & Midstream (approximately \$745 million to \$760 million, after tax and noncontrolling interests) and approximately \$180 million to \$225 million at Sempra Renewables (approximately \$125 million to \$165 million, after tax and noncontrolling interests). These impairment charges will result primarily from adjusting the related Assets carrying values to estimated fair values, less costs to sell. Other than the costs to sell, which we expect to be approximately \$10 million, we do not expect that any of the impairment charges will result in future cash expenditures.

Our capital rotation plan is subject to certain risks and uncertainties. For additional information, see Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock We may be unable to realize the anticipated benefits from our plan to divest certain of our assets as part of our capital rotation plan.

Elliott Associates, L.P., Elliott International, L.P. and Bluescape Resources Company LLC

On June 11, 2018, Elliott Associates, L.P. and Elliott International, L.P. (collectively, Elliott) and Bluescape Resources Company LLC (Bluescape) disclosed they were collectively holders of an approximately 4.9% economic interest in our outstanding common stock as of such date and delivered a letter and accompanying presentation to our board of directors seeking collaboration with them and management to nominate six new directors identified by Elliott and Bluescape and establish a committee of the board of directors to conduct portfolio and operational reviews of our business. Elliott and Bluescape have also suggested, among other things, that the new board committee review the disposition of our stakes in Chilquinta Energía, Luz del Sur and IEnova, and spin-off our Sempra LNG & Midstream business, which includes our interest in our Cameron LNG joint venture and certain other pipeline assets and LNG development projects.

We are committed to constructive and fruitful engagement with our shareholders and are available to discuss and evaluate ideas from our shareholders on how to maximize long-term value. As part of this engagement, we intend to continue our dialogue with Elliott and Bluescape regarding their proposals.

See Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock.

Financing Transactions

In addition to the sale of our Series B Mandatory Convertible Preferred Stock in this offering, we expect to obtain additional financing through the Concurrent Offering described below.

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Common Stock Offering. Concurrently with this offering, we are offering, by means of a separate prospectus supplement and subject to market and other conditions, 9,750,000 shares of our common stock, no par value (the *Common Stock Offering* or the *Concurrent Offering*). In addition, we have granted an option to the underwriters in the *Concurrent Offering* to purchase up to an additional 1,462,500 shares of our common stock directly from us to cover over-allotments, if any. In connection with the *Concurrent Offering*, we expect to enter into forward sale agreements with an affiliate of Citigroup Global Markets Inc. and an affiliate of J.P. Morgan Securities LLC, which affiliates we refer to in such capacity as the *forward purchasers* with respect to 9,750,000 shares of our common stock. In connection with these forward sale agreements, the *forward purchasers* or their respective affiliates, whom we refer to in such capacity as the *forward sellers*, at our request, are borrowing from third parties and selling to the underwriters of the *Concurrent Offering* for resale in the *Concurrent Offering* an aggregate of 9,750,000 shares of our common stock. If the *forward purchasers* determine in good faith, after using commercially reasonable efforts, that the *forward sellers* are unable to borrow and deliver for sale on the anticipated closing date for the *Concurrent Offering* such number of shares of our common stock or that the *forward sellers* are unable to borrow, at a stock loan rate not greater than a specified rate, and deliver for sale on the anticipated closing date for the *Concurrent Offering* such number of shares of our common stock, or if the *forward sellers* elect not to borrow shares of our common stock because specified conditions in the underwriting agreement of the *Concurrent Offering* are not satisfied, then we will issue and sell to the underwriters for the *Concurrent Offering* a number of shares equal to the number of shares that the *forward sellers* do not borrow and sell. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy the securities being offered in the *Concurrent Offering*.

We will not initially receive any proceeds from the sale of shares of our common stock offered in the *Concurrent Offering*, unless (i) an event occurs that requires us to sell such shares to the underwriters of the *Concurrent Offering* in lieu of the *forward sellers* selling such shares to such underwriters, or (ii) such underwriters exercise their over-allotment option to purchase additional shares of our common stock, in which case we will sell all of the additional shares of our common stock covered by such option to the underwriters rather than requiring the *forward sellers* to borrow and sell such additional shares to the underwriters.

We expect to fully physically settle the forward sale agreements in one or more settlements on or prior to December 15, 2019. Although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of cash proceeds that is significantly lower than the amount we would have received upon full physical settlement and we may not receive any cash proceeds (or may owe cash, which could be a significant amount, to the *forward purchasers*). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the *forward purchasers* (and we may be required to deliver shares of our common stock to the *forward purchasers* and the number of those shares could be significant). The amount of cash or shares of our common stock we receive upon settlement of the forward sale agreements, if any, will depend on the relevant settlement method, the time of settlement, market interest rates and, if applicable under cash or net share settlement, the market price of our common stock during the period in which a forward counterparty unwinds its hedge positions with respect to the forward sale agreements. Settlement will occur on or prior to December 15, 2019, on one or more dates specified by us under the forward sale agreements. The forward sale agreements are subject to acceleration by the *forward purchasers* upon the occurrence of certain events. See

Description of the Forward Sale Agreements in this prospectus supplement for a description of certain terms of the forward sale agreements. In addition, the forward sale price is subject to adjustment pursuant to the forward sale agreements and the actual proceeds, if any, will be calculated as described under the foregoing caption. As a result, the actual amount of cash we receive upon settlement of the forward sale agreements may be less, perhaps substantially, than the amount reflected in this prospectus supplement or we may not receive any cash from that settlement.

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Transactions not Contingent. Completion of this offering is not contingent on the completion of the Concurrent Offering and completion of the Concurrent Offering is not contingent on the completion of this offering. Accordingly, even if the Concurrent Offering does not occur, the shares of Series B Mandatory Convertible Preferred Stock sold in this offering will remain outstanding.

Purchasers of our Series B Mandatory Convertible Preferred Stock in this offering should not place undue reliance on the as adjusted and pro forma information, or any other information that gives effect to the assumed completion of this offering or the Concurrent Offering or the assumed full physical settlement of the forward sale agreements we plan to enter into in connection with the Concurrent Offering, included and incorporated by reference in this prospectus supplement and the accompanying prospectus. The actual amount of proceeds we receive from the sale of the Series B Mandatory Convertible Preferred Stock in this offering and from the sale of shares of our common stock pursuant to the forward sale agreements we expect to enter into in connection with the Concurrent Offering may differ, perhaps substantially, from the amounts reflected in this prospectus supplement. Among other things, although we expect to settle the forward sale agreements expected to be entered into in connection with the Concurrent Offering entirely by full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements, and it is possible that we may not receive any proceeds, or may be required to make payments or deliver shares of our common stock to the forward sellers, in connection with settlement of the forward sale agreements. In addition, the forward sale price is subject to adjustment pursuant to the forward sale agreements and the actual proceeds, if any, will be calculated as described in this prospectus supplement. See Description of the Forward Sale Agreements. As a result, the actual amount of cash we receive upon settlement of the forward sale agreements may be less, perhaps substantially, than the amount reflected in this prospectus supplement or we may not receive any cash from that settlement.

We cannot assure you that we will complete either of the Financing Transactions on the terms contemplated by this prospectus supplement or at all.

Table of Contents**The Offering**

The following summary contains basic information about this offering. It does not contain all of the information that is important to you. You should read this prospectus supplement and the accompanying prospectus, the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus we may provide you in connection with this offering carefully before making an investment decision.

As used in this section, references to Sempra Energy, we, us and our mean Sempra Energy excluding its subsidiaries and affiliates.

Issuer	Sempra Energy
Securities Offered	5,000,000 shares of our 6.75% Mandatory Convertible Preferred Stock, Series B (Series B Mandatory Convertible Preferred Stock).
Public Offering Price	\$100.00 per share of the Series B Mandatory Convertible Preferred Stock.
Underwriters Option	We have granted the underwriters a 30-day option to purchase up to 750,000 additional shares of the Series B Mandatory Convertible Preferred Stock from us solely to cover over-allotments, if any, at the public offering price, less the underwriting discount.
Dividends	6.75% of the liquidation preference of \$100.00 per share of the Series B Mandatory Convertible Preferred Stock per annum. Dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the first original issue date, whether or not in any dividend period or periods there have been funds legally available for the payment of such dividends, and, to the extent that we are legally permitted to pay dividends and our board of directors (which term, as used in this summary, includes an authorized committee of the board) declares a dividend with respect to the Series B Mandatory Convertible Preferred Stock, we will pay such dividend in cash or, subject to certain limitations, in shares of our common stock or by delivery of any combination of cash and shares of our common stock, as determined by us in our sole discretion, on each dividend payment date; provided, however, that any undeclared and unpaid dividends will continue to accumulate. Dividends that are declared will be payable on the dividend payment dates to holders of record of the Series B Mandatory Convertible Preferred Stock on the immediately preceding January 1, April 1, July 1 and October 1 (each a record date), whether or

not such holders convert their shares, or such shares are automatically converted, after a record date and on or prior to the immediately succeeding dividend payment date. The expected dividend payable on the first dividend payment date is \$1.725 per share. Each subsequent dividend is expected to be \$1.6875 per share. See Description of Series B Mandatory Convertible Preferred Stock Dividends.

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If we elect to make any payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at 97% of the average VWAP (as defined under Description of Series B Mandatory Convertible Preferred Stock Definitions) per share of our common stock over the five consecutive trading day period beginning on and including the sixth scheduled trading day prior to the applicable dividend payment date (such average, the average price). In no event will the number of shares of our common stock delivered in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by \$39.8125, which amount represents 35% of the initial price (as defined below) (subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate as described below) (such dollar amount, as adjusted, floor price). To the extent that the amount of the declared dividend exceeds the product of the number of shares of our common stock delivered in connection with such declared dividend and 97% of the average price, we will, if we are legally able to do so, pay such excess amount in cash.

The initial price is \$113.75, which equals the per share public offering price of our common stock in the Common Stock Offering (initial price).

Dividend Payment Dates

January 15, April 15, July 15 and October 15 of each year, commencing on October 15, 2018 and to, and including, July 15, 2021.

Mandatory Conversion Date

The second business day immediately following the last trading day of the settlement period (as defined below). The mandatory conversion date is expected to be July 15, 2021.

Mandatory Conversion

On the mandatory conversion date, each share of the Series B Mandatory Convertible Preferred Stock, unless previously converted, will automatically convert into shares of our common stock based on the conversion rate as described below.

If we declare a dividend for the dividend period ending on July 15, 2021, we will pay such dividend to the holders of record as of the close of business on the record date immediately preceding such date, as described above. If, prior to the mandatory conversion date we have not declared all or any portion of the accumulated dividends on the Series B Mandatory Convertible Preferred Stock, the conversion rate will be adjusted so that holders receive an additional number of shares of our common stock equal to the amount of such undeclared, accumulated and

unpaid dividends (such amount, additional conversion amount) divided by the greater of the floor price and 97% of the average price. To the extent that the additional conversion amount exceeds the product of the number of additional shares and

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97% of the average price, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata to the holders of the Series B Mandatory Convertible Preferred Stock.

Conversion Rate

The conversion rate for each share of the Series B Mandatory Convertible Preferred Stock will be not more than 0.8791 shares of our common stock and not less than 0.7326 shares of our common stock (minimum conversion rate), depending on the applicable market value of our common stock, as described below and subject to certain anti-dilution adjustments.

The applicable market value of our common stock is the average VWAP per share of our common stock over the settlement period. The settlement period is the 20 consecutive trading day period beginning on and including the 21st scheduled trading day immediately preceding July 15, 2021. The conversion rate will be calculated as described under Description of Series B Mandatory Convertible Preferred Stock Mandatory Conversion, and the following table illustrates the conversion rate per share of the Series B Mandatory Convertible Preferred Stock, subject to certain anti-dilution adjustments.

Applicable market value of our common stock	Conversion rate (number of shares of our common stock to be received upon conversion of each share of the Mandatory Convertible Preferred Stock)
Greater than \$136.50 (which is the threshold appreciation price)	0.7326 shares (approximately equal to \$100.00 divided by the threshold appreciation price).
Equal to or less than \$136.50 but greater than or equal to \$113.75	Between 0.7326 and 0.8791 shares, determined by dividing \$100.00 by the applicable market value of our common stock.
Less than \$113.75 (which is the initial price)	0.8791 shares (approximately equal to \$100.00 divided by the initial price).

Conversion at the Option of the Holder

At any time prior to July 15, 2021, other than during a fundamental change conversion period (as defined below), holders of the Series B Mandatory Convertible Preferred Stock have the option to elect to convert their shares of the Series B Mandatory Convertible Preferred Stock in whole or in part (but in no event less than one share of the Series B Mandatory Convertible Preferred Stock), into shares of our common stock at the minimum conversion rate of 0.7326 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock as described under Description of Series B Mandatory

Convertible Preferred Stock Conversion at the Option of the Holder. This minimum conversion rate is subject to certain anti-dilution adjustments.

If, as of the effective date of any early conversion (early conversion date), we have not declared all or any portion of the accumulated dividends for all dividend periods ending on a dividend payment date prior to such early conversion date, the conversion rate for such early

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conversion will be adjusted so that holders converting their Series B Mandatory Convertible Preferred Stock at such time receive an additional number of shares of our common stock equal to such amount of undeclared, accumulated and unpaid dividends for such prior dividend periods, divided by the greater of the floor price and the average VWAP per share of our common stock over the 20 consecutive trading day period commencing on and including the 21st scheduled trading day immediately preceding the early conversion date (early conversion average price). To the extent that the cash amount of the undeclared, accumulated and unpaid dividends for all dividend periods ending on a dividend payment date prior to the relevant early conversion date exceeds the value of the product of the number of additional shares added to the conversion rate and the early conversion average price, we will not have any obligation to pay the shortfall in cash.

Conversion at the Option of the Holder Upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount

If a fundamental change (as defined under Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount) occurs on or prior to July 15, 2021, holders of the Series B Mandatory Convertible Preferred Stock will have the option to convert their shares of Series B Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of the Series B Mandatory Convertible Preferred Stock), into common stock at the fundamental change conversion rate during the period (fundamental change conversion period) beginning on the effective date of such fundamental change and ending on the date that is 20 calendar days after the effective date of such fundamental change (or, if earlier, July 15, 2021). The fundamental change conversion rate will be determined based on the effective date of the fundamental change and the price paid or deemed paid per share of our common stock in such fundamental change.

Holders who convert their Series B Mandatory Convertible Preferred Stock within the fundamental change conversion period will also receive a fundamental change dividend make-whole amount, in cash or in shares of our common stock or any combination thereof, equal to the present value (computed using a discount rate of 6.75% per annum) of all remaining dividend payments on their shares of the Series B Mandatory Convertible Preferred Stock (excluding any accumulated dividend amount (as defined under Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount Fundamental Change Dividend Make-Whole Amount and Accumulated Dividend Amount)) from and after such effective date to, but excluding, July 15, 2021. If we elect to pay the fundamental change dividend

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make-whole amount in shares of our common stock in lieu of cash, the number of shares of our common stock that we will deliver will equal (x) the fundamental change dividend make-whole amount divided by (y) the greater of the floor price and 97% of the price paid, or deemed paid, per share of our common stock in the fundamental change.

In addition, to the extent that the accumulated dividend amount exists as of the effective date of the fundamental change, holders who convert their Series B Mandatory Convertible Preferred Stock within the fundamental change conversion period will be entitled to receive such accumulated dividend amount in cash (to the extent we are legally permitted to make such payment in cash) or shares of our common stock or any combination thereof, at our election, upon conversion. If we elect to pay the accumulated dividend amount in shares of our common stock in lieu of cash, the number of shares of our common stock that we will deliver will equal (x) the accumulated dividend amount divided by (y) the greater of the floor price and 97% of the price paid, or deemed paid, per share of our common stock in the transaction resulting in such fundamental change.

To the extent that the sum of the fundamental change dividend make-whole amount and accumulated dividend amount or any portion thereof paid in shares of our common stock exceeds the product of the number of additional shares we deliver in respect thereof and 97% of the price paid or deemed paid, we will, if we are legally able to do so, pay such excess amount in cash. See Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount.

Anti-Dilution Adjustments

The conversion rate may be adjusted in the event of, among other things: (1) share dividends or share distributions; (2) certain issuances of common stock rights or warrants to purchase our common stock; (3) subdivisions or combinations of our common stock; (4) certain distributions of evidences of our indebtedness, shares of capital stock, securities, rights to acquire shares of our capital stock, cash or other assets, including spin-offs; (5) certain dividends or other distributions consisting exclusively of cash other than in connection with certain reorganization events, a voluntary or involuntary liquidation, dissolution or winding-up, or a third party tender or exchange offer; and (6) certain self-tender or exchange offers for our common stock. See Description of Series B Mandatory Convertible Preferred Stock Anti-Dilution Adjustments.

Liquidation Preference

\$100.00 per share of the Series B Mandatory Convertible Preferred Stock.

Voting Rights

Except as specifically required by California law or our Amended and Restated Articles of Incorporation (Charter), which will include the Series B Certificate of Determination (as defined below) for the Series B Mandatory Convertible Preferred Stock, the holders of

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Series B Mandatory Convertible Preferred Stock will have no voting rights.

Whenever dividends on shares of the Series B Mandatory Convertible Preferred Stock (i) have not been declared and paid, or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable record date, for six or more dividend periods, whether or not consecutive, the authorized number of directors on our board of directors will, at the next annual meeting of shareholders or at a special meeting of shareholders as provided below, automatically be increased by two and the holders of the Series B Mandatory Convertible Preferred Stock, voting together as a single class with holders of any and all other preferred stock of equal rank having similar voting rights then outstanding, which includes our Series A Mandatory Convertible Preferred Stock, will be entitled, at our next annual meeting or at a special meeting of shareholders, to elect two directors to fill such newly created directorships created thereby, subject to certain limitations. We will not, without the affirmative vote or consent of holders of at least two-thirds of the outstanding shares of the Series B Mandatory Convertible Preferred Stock and all other preferred stock of equal rank having similar voting rights, voting together as a single class (1) amend or alter the provisions of our Charter or the Series B Certificate of Determination so as to authorize or create, or increase the authorized amount of, any specific class or series of senior stock (as defined below); (2) amend, alter or repeal the provisions of our Charter or the Series B Certificate of Determination so as to adversely affect the special rights, preferences, privileges or voting powers of the Series B Mandatory Convertible Preferred Stock; or (3) consummate a binding share exchange or reclassification involving the shares of the Series B Mandatory Convertible Preferred Stock or a merger or consolidation of us with another entity, unless in each case the Series B Mandatory Convertible Preferred Stock remains outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, is replaced by preferred stock of the surviving or resulting entity, and the Series B Mandatory Convertible Preferred Stock or such preferred stock, as the case may be, has terms, taken as a whole, not materially less favorable to holders, in each case subject to certain exceptions. For more information about voting rights, see Description of Series B Mandatory Convertible Preferred Stock Voting Rights.

Ranking

The Series B Mandatory Convertible Preferred Stock will rank with respect to dividend rights and distribution rights upon our liquidation, winding-up or dissolution:

senior to our common stock and each class or series of our capital stock established in the future unless the terms of such stock expressly provide that it will rank senior to, or on parity with, the Series B Mandatory Convertible Preferred Stock;

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on parity with our Series A Mandatory Convertible Preferred Stock and each class or series of our capital stock established in the future the terms of which expressly provide that it will rank on parity with the Series B Mandatory Convertible Preferred Stock;

junior to each class or series of our capital stock established in the future, the terms of which expressly provide that it will rank senior to the Series B Mandatory Convertible Preferred Stock (senior stock);

junior to our existing and future indebtedness and other liabilities; and

structurally subordinated to any existing and future indebtedness and other liabilities of our subsidiaries and capital stock of our subsidiaries held by third parties.

For information concerning the ranking of the Series B Mandatory Convertible Preferred Stock, see Description of Series B Mandatory Convertible Preferred Stock Ranking.

At March 31, 2018, we had total outstanding consolidated debt of approximately \$26.4 billion and 17,250,000 outstanding shares of our Series A Mandatory Convertible Preferred Stock.

Use of Proceeds

We estimate that the net proceeds to us from this offering, after deducting the underwriting discount but before deducting estimated offering expenses payable by us, will be approximately \$491.8 million (or approximately \$565.5 million if the underwriters exercise their over-allotment option to purchase additional shares of our Series B Mandatory Convertible Preferred Stock in full).

We intend to use the net proceeds from this offering and, if applicable, upon any exercise by the underwriters of their option to purchase additional shares of Series B Mandatory Convertible Preferred Stock and, if completed, the Common Stock Offering to repay outstanding commercial paper, to fund working capital and for other general corporate purposes.

However, this offering is not contingent on the consummation of the Concurrent Offering and the Concurrent Offering is not contingent on the consummation of this offering, and there can be no assurance that the Concurrent Offering will be consummated on the terms described herein or at all. See Use of Proceeds.

Concurrent Common Stock Offering

Concurrently with this offering, the forward sellers are offering, by means of a separate prospectus supplement, 9,750,000 shares of our common stock. We expect to enter into forward sale agreements with the forward purchasers with respect to 9,750,000 shares of our common stock. In connection with those forward sale agreements, the

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forward sellers, at our request, are borrowing from third parties and selling to the underwriters in such offering an aggregate of 9,750,000 shares of our common stock. If the forward purchasers determine in good faith, after using commercially reasonable efforts, that the forward sellers are unable to borrow and deliver for sale on the anticipated closing date of such offering such number of shares of our common stock or that the forward sellers are unable to borrow, at a stock loan rate not greater than a specified rate, and deliver for sale on such anticipated closing date such number of shares of our common stock, or if the forward sellers elect not to borrow shares of our common stock because specified conditions in the underwriting agreement for the Concurrent Offering are not satisfied, then we will issue and sell to the underwriters for the Concurrent Offering a number of shares equal to the number of shares that the forward sellers do not borrow and sell. We have granted such underwriters the option to purchase directly from us up to an additional 1,462,500 shares of our common stock in the Concurrent Offering, exercisable within 30 days from the date of the prospectus supplement for the Concurrent Offering solely to cover over-allotments.

We estimate that the net proceeds to us from the sale of shares of our common stock in connection with the Common Stock Offering and pursuant to the forward sale agreements will be approximately \$1.091 billion (or approximately \$1.254 billion if the underwriters in the Common Stock Offering exercise their over-allotment option to purchase additional shares of our common stock directly from us in full), in each case after deducting discounts but before deducting offering expenses payable by us, subject to certain adjustments to the forward sale price pursuant to the forward sale agreements and assuming full physical settlement of the forward sale agreements at the initial forward sale price referred to below. We will not initially receive any proceeds from the sale of shares of our common stock offered in the Common Stock Offering, unless (i) an event occurs that requires us to sell such shares to the underwriters in the Common Stock Offering in lieu of the forward sellers selling such shares to such underwriters, or (ii) the underwriters for the Common Stock Offering exercise their over-allotment option to purchase additional shares of our common stock, in which case we will sell all of the additional shares of our common stock covered by such option to the underwriters rather than requiring the forward sellers to borrow and sell such additional shares to the underwriters for the Common Stock Offering. We expect that the forward sale agreements will settle in one or more settlements on or prior to December 15, 2019.

The forward sale price will initially be \$111.873125 per share, which is equal to the public offering price per share of our common stock less the underwriting discount in the Common Stock Offering. The forward sale price is subject to adjustment pursuant to the forward sale agreements,

and the actual proceeds are subject to settlement of the forward sale agreements. If the overnight bank funding rate decreases substantially prior to the settlement of the forward sale

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agreements, we may receive less than the initial forward sale price per share upon physical settlement of the forward sale agreements. Although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate included under the caption **Capitalization** in this prospectus supplement, and we may not receive any net proceeds (or may owe cash, which could be a significant amount, to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the forward purchasers (and we may be required to deliver shares of our common stock to the forward purchasers and the number of those shares could be significant). As a result, the actual amount of cash we receive upon settlement of the forward sale agreements may be less, perhaps substantially, than the amount reflected under the caption **Capitalization** in this prospectus supplement or we may not receive any cash from that settlement. The forward sale agreements are also subject to acceleration by the forward purchasers upon the occurrence of certain events. See **Description of the Forward Sale Agreements**.

Material United States Federal Income Tax Considerations	Certain material United States federal income tax considerations of purchasing, owning and disposing of the Series B Mandatory Convertible Preferred Stock and any common stock received upon conversion are described in Material United States Federal Income Tax Considerations .
Listing	We intend to apply to have the Series B Mandatory Convertible Preferred Stock listed on the New York Stock Exchange (NYSE) under the symbol SREPRB .
NYSE Symbol for Our Common Stock	Our common stock is listed on the NYSE under the symbol SRE .
Transfer Agent and Registrar	The registrar and transfer agent for the Series B Mandatory Convertible Preferred Stock is American Stock Transfer & Trust Company, LLC.
Payment and Settlement	The Series B Mandatory Convertible Preferred Stock is expected to be delivered against payment on July 13, 2018. The shares of the Series B Mandatory Convertible Preferred Stock will be registered in the name of a nominee of The Depository Trust Company (DTC) in New York, New York. In general, beneficial ownership interests in the Series B Mandatory Convertible Preferred Stock will be shown on, and transfers

of these beneficial ownership interests will be effected only through, records maintained by DTC and its direct and indirect participants.

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Table of Contents**Conflicts of Interest**

As described under **Use of Proceeds**, proceeds from this offering will be used to repay outstanding commercial paper. One or more of the underwriters participating in this offering and/or their affiliates may hold positions in our commercial paper, one or more of the underwriters act as dealers under our commercial paper programs, and affiliates of certain underwriters are lenders under our credit facilities. To the extent that any net proceeds we receive from the sale of the Series B Mandatory Convertible Preferred Stock in this offering are applied to repay any of our outstanding indebtedness (including commercial paper and bank loans) held by any of the underwriters or their affiliates, they will receive proceeds from this offering through the repayment of that indebtedness. If the amount of such proceeds so received by any underwriter or its affiliates is more than 5% of the net proceeds of this offering, such underwriter would be deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (**FINRA**). Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering, as the shares of our common stock have a bona fide public market (as defined in FINRA Rule 5121). In addition, such underwriter would not be permitted to make sales in this offering to any discretionary account without the prior written approval of the customer. See **Use of Proceeds** and **Underwriting (Conflicts of Interest)** for additional information.

Limitation on Common Stock Ownership

Applicable U.S. federal law generally prohibits (absent an appropriate authorization, approval or exemption) any person, together with its associates and affiliates, from acquiring an amount of our common stock which is sufficient to give them direct or indirect control over any of our U.S. public utility subsidiaries. Under applicable regulations and precedent, ownership of 10% or more of our outstanding common stock would be presumed to give a person control for that purpose, and the applicable regulatory authority generally has the power to void transactions that violate these restrictions and/or assess monetary penalties for such violations. Accordingly, investors should consult their own legal advisors before acquiring Series B Mandatory Convertible Preferred Stock in this offering if, upon receipt of any shares of common stock upon conversion of the Series B Mandatory Convertible Preferred Stock, or upon receipt of any shares of common stock that we may elect to distribute in lieu of cash dividends on the Series B Mandatory Convertible Preferred Stock, the acquisition of those shares would result in their owning more than 10% of our outstanding common stock or would otherwise give them direct or indirect control over any of our public utility subsidiaries. For additional information, see **Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock**. As a result of the

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Federal Power Act and the U.S. Federal Energy Regulatory Commission's regulations of transfers of control over public utilities, certain investors could be required to obtain regulatory approval to acquire shares of our common stock.

Risk Factors

See **Risk Factors** in this prospectus supplement and the accompanying prospectus and other information incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of some of the risks and other factors you should carefully consider before deciding to invest in shares of our Series B Mandatory Convertible Preferred Stock.

Shares Outstanding Following the Offerings

Immediately after the consummation of this offering, we will have 5,000,000 shares of Series B Mandatory Convertible Preferred Stock issued and outstanding (or 5,750,000 shares if the underwriters' over-allotment option to purchase additional shares of Series B Mandatory Convertible Preferred Stock is exercised in full) and 17,500,000 shares of our Series A Mandatory Convertible Preferred Stock outstanding. Immediately after the completion of the Common Stock Offering and prior to any settlement of the forward sale agreements we plan to enter into in connection with the Common Stock Offering, we will have 263,946,124 shares (or 265,408,624 shares if the underwriters exercise their over-allotment option to purchase additional shares of our common stock directly from us in full in the Common Stock Offering) of our common stock issued and outstanding. Immediately after the completion of the Common Stock Offering and the settlement of the forward sale agreements (assuming full physical settlement of the forward sale agreements) we will have 273,696,124 shares (or 275,158,624 shares if the underwriters exercise their over-allotment option to purchase additional shares of our common stock directly from us in full in the Common Stock Offering) issued and outstanding. Such numbers of shares of common stock to be outstanding immediately after the Common Stock Offering prior to any settlement of the forward sale agreements and outstanding immediately after the Common Stock Offering and the related settlement of the forward sale agreements are based on 263,946,124 shares of our common stock outstanding as of March 31, 2018, and exclude:

- (a) up to 3,663,000 shares of our common stock (or up to 4,212,450 shares of our common stock if the underwriters in this offering exercise their over-allotment option to purchase additional shares of Series B Mandatory Convertible Preferred Stock in full) that would initially be issuable upon conversion of Series B Mandatory Convertible Preferred Stock issued in this offering, in each case assuming mandatory conversion based on an applicable market value of our common stock equal to the threshold appreciation price of \$136.50 (which is 20% above the price at which the shares of our common stock are being offered in the Concurrent Offering) subject to anti-dilution, make-whole and other possible adjustments;
- (b) (i) 166,485 shares of our common stock reserved for issuance upon exercise of stock options outstanding as of March 31, 2018, (ii) 366,420 shares of our common stock reserved for issuance upon vesting of our time based restricted stock units (including reinvested dividends) outstanding as of March 31, 2018, (iii) 2,645,494 shares of our common stock reserved for issuance upon the vesting of our performance based restricted stock units (including reinvested dividends), assuming the maximum payout was achieved, outstanding as of March 31, 2018 under our various equity compensation plans, and (iv) shares reserved for issuance upon the vesting of any awards we may have issued under such plans subsequent to March 31,

2018;

- (c) 16,120,125 shares of our common stock issuable upon the conversion of outstanding shares of our Series A Mandatory Convertible Preferred Stock as of March 31, 2018, assuming mandatory

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conversion had occurred on that date at the maximum conversion rate of 0.9345 shares of our common stock per share of Series A Mandatory Convertible Preferred Stock;

- (d) 4,783,068 shares of common stock that we issued on June 13, 2018 to settle approximately \$500 million of forward sales under the Existing Forward Sale Agreements that we entered into in January 2018 at a forward sale price of \$104.5355 per share;
- (e) 2,868,603 shares of common stock that we issued on June 27, 2018 to settle approximately \$300 million of forward sales under the Existing Forward Sale Agreements that we entered into in January 2018 at a forward sale price of \$104.5806 per share;
- (f) 7,156,185 shares of common stock that, as of June 30, 2018, we remained obligated to issue (subject to our right to elect cash settlement or net share settlement) on settlement dates specified by us on or prior to December 15, 2019 pursuant to the Existing Forward Sale Agreements;
- (g) any additional shares of common stock we may issue from and after July 10, 2018 through final settlement of the forward sale agreements; and
- (h) any additional shares we have issued or may issue under our dividend reinvestment program, direct stock purchase plan or 401(k) savings plans subsequent to March 31, 2018.

Under our dividend reinvestment program, direct stock purchase plan and 401(k) savings plans, we are currently delivering newly issued shares of our common stock to settle shares purchased under those plans. Over the 12 months ended March 31, 2018, approximately 785,164 shares of our common stock were issued in connection with those plans. The number of additional shares issued under those plans going forward is dependent on whether Sempra Energy continues to deliver newly issued shares under these plans, Sempra Energy's stock price and the elections by plan participants to purchase Sempra Energy common stock in the future.

The number of shares of our common stock to be outstanding immediately after the Concurrent Offering, prior to any settlement of the forward sale agreements, also assumes no event will occur that would require us to sell shares of our common stock to the underwriters in the Concurrent Offering in lieu of the forward sellers selling shares of our common stock to the underwriters in the Concurrent Offering. If such an event occurs, (i) the number of shares of our common stock to be outstanding immediately after the Concurrent Offering would be increased by such number of shares and (ii) the number of shares of our common stock issuable pursuant to physical settlement of the forward sale agreements would be reduced by such number of shares.

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RISK FACTORS

*Investment in our Series B Mandatory Convertible Preferred Stock involves risks. You should carefully consider the risks described below and the risk factors incorporated into this prospectus supplement and the accompanying prospectus by reference to our most recent Annual Report on Form 10-K, our subsequent Quarterly Report on Form 10-Q and any Current Reports on Form 8-K filed (and not furnished) by us with the SEC subsequent to the last day of the fiscal year covered by our most recent Annual Report on Form 10-K and all other information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, as well as any free writing prospectus we may provide you in connection with this offering, before acquiring any of our Series B Mandatory Convertible Preferred Stock. The occurrence of any of these risks might cause you to lose all or part of your investment in the shares. See also *Forward-Looking Statements and Market Data*. In that regard, unless otherwise expressly stated or the context otherwise requires, references to our common stock or preferred stock appearing under the caption *Risk Factors* in our most recent Annual Report on Form 10-K include the Series B Mandatory Convertible Preferred Stock offered hereby and the common stock offered in the Concurrent Offering.*

Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock

You will bear the risk of a decline in the market price of our common stock between the pricing date for the Series B Mandatory Convertible Preferred Stock and the mandatory conversion date.

The number of shares of our common stock that you will receive upon mandatory conversion of the Series B Mandatory Convertible Preferred Stock is not fixed but instead will depend on the applicable market value of our common stock, which is the average VWAP per share of our common stock over the 20 consecutive trading day period beginning on and including the 21st scheduled trading day immediately preceding July 15, 2021. The aggregate market value of our common stock that you would receive upon mandatory conversion may be less than the aggregate liquidation preference of the Series B Mandatory Convertible Preferred Stock. Specifically, if the applicable market value of our common stock is less than the initial price of \$113.75, the market value of our common stock that you would receive upon mandatory conversion of each share of the Series B Mandatory Convertible Preferred Stock will be less than the \$100.00 liquidation preference, and an investment in the Series B Mandatory Convertible Preferred Stock would result in a loss, without taking into consideration the payment of dividends. Accordingly, you will bear the risk of a decline in the market price of our common stock. Any such decline could be substantial.

The opportunity for equity appreciation provided by your investment in the Series B Mandatory Convertible Preferred Stock is less than that provided by a direct investment in our common stock.

The market value of each share of our common stock that you would receive upon mandatory conversion of each share of the Series B Mandatory Convertible Preferred Stock on the mandatory conversion date will only exceed the liquidation preference of \$100.00 per share of the Series B Mandatory Convertible Preferred Stock if the applicable market value of our common stock exceeds the threshold appreciation price of \$136.50. The threshold appreciation price represents an appreciation of 20% over the initial price. In this event, you would receive on the mandatory conversion date approximately 83.33% (which percentage is equal to the initial price divided by the threshold appreciation price) of the value of our common stock that you would have received if you had made a direct investment in our common stock on the date of this prospectus supplement. This means that the opportunity for equity appreciation provided by an investment in the Series B Mandatory Convertible Preferred Stock is less than that provided by a direct investment in our common stock.

In addition, if the market value of our common stock appreciates and the applicable market value of our common stock is equal to or greater than the initial price but less than or equal to the threshold appreciation price, the aggregate market value of our common stock that you would receive upon mandatory conversion will

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only be equal to the aggregate liquidation preference of the Series B Mandatory Convertible Preferred Stock, and you will realize no equity appreciation on our common stock.

Recent regulatory actions may adversely affect the trading price and liquidity of the Series B Mandatory Convertible Preferred Stock.

Investors in, and potential purchasers of, the Series B Mandatory Convertible Preferred Stock who employ, or seek to employ, a convertible arbitrage strategy with respect to the Series B Mandatory Convertible Preferred Stock may be adversely impacted by regulatory developments that may limit or restrict such a strategy. The SEC and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that restrict and otherwise regulate short selling and over-the-counter swaps and security-based swaps, which restrictions and regulations may adversely affect the ability of investors in, or potential purchasers of, the Series B Mandatory Convertible Preferred Stock to conduct a convertible arbitrage strategy with respect to the Series B Mandatory Convertible Preferred Stock. This could, in turn, adversely affect the trading price and liquidity of the Series B Mandatory Convertible Preferred Stock.

The adjustment to the conversion rate and the payment of the fundamental change dividend make-whole amount upon the occurrence of certain fundamental changes may not adequately compensate you.

If a fundamental change (as defined in Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount) occurs on or prior to the mandatory conversion date, holders will be entitled to convert their Series B Mandatory Convertible Preferred Stock during the fundamental change conversion period at the fundamental change conversion rate (in each case as defined in Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount). The fundamental change conversion rate represents an adjustment to the conversion rate otherwise applicable unless the share price is less than \$30.00 or above \$400.00 (in each case, subject to adjustment). In addition, with respect to Series B Mandatory Convertible Preferred Stock converted during the fundamental change conversion period, you will also receive, among other considerations, a fundamental change dividend make-whole amount. Although this adjustment to the conversion rate and the payment of the fundamental change dividend make-whole amount are designed to compensate you for the lost option value of the Series B Mandatory Convertible Preferred Stock and lost dividends as a result of a fundamental change, they are only an approximation of such lost value and lost dividends and may not adequately compensate you for your actual loss. Furthermore, our obligation to adjust the conversion rate in connection with a fundamental change and pay the fundamental change dividend make-whole amount (whether in cash or shares of our common stock or any combination thereof) could possibly be considered a penalty under state law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies and therefore may not be enforceable in whole or in part.

The conversion rate of the Series B Mandatory Convertible Preferred Stock will not be adjusted for many events that may adversely affect the market price of the Series B Mandatory Convertible Preferred Stock or our common stock issuable upon conversion of the Series B Mandatory Convertible Preferred Stock.

The number of shares of our common stock that you are entitled to receive upon conversion of the Series B Mandatory Convertible Preferred Stock is subject to adjustment for stock splits and combinations, stock dividends and certain other transactions described in Description of Series B Mandatory Convertible Preferred Stock. See Description of Series B Mandatory Convertible Preferred Stock Anti-Dilution Adjustments for further discussion of anti-dilution adjustments. However, other events, such as employee and director grants that are settled in common stock and option grants or offerings of our common stock or securities convertible into shares of our common stock

(other than those set forth in Description of Series B Mandatory Convertible Preferred Stock Anti-Dilution Adjustments) for cash or in connection with acquisitions, which may adversely affect the market price of our common stock, may not result in any adjustment. Further, if any of these other

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events adversely affects the market price of our common stock, it may also adversely affect the market price of the Series B Mandatory Convertible Preferred Stock. In addition, the terms of the Series B Mandatory Convertible Preferred Stock do not restrict our ability to offer common stock or securities convertible into common stock in the future or to engage in other transactions that could dilute our common stock. We have no obligation to consider the interests of the holders of the Series B Mandatory Convertible Preferred Stock in engaging in any such offering or transaction.

You will have no rights with respect to our common stock until the Series B Mandatory Convertible Preferred Stock is converted, but you may be adversely affected by certain changes made with respect to our common stock.

You will have no rights with respect to our common stock, including voting rights, rights to respond to common stock tender offers, if any, and rights to receive dividends or other distributions on our common stock, if any (other than through a conversion rate adjustment), prior to the conversion date with respect to a conversion of the Series B Mandatory Convertible Preferred Stock, but your investment in the Series B Mandatory Convertible Preferred Stock may be negatively affected by these events. Upon conversion, you will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date. For example, in the event that an amendment is proposed to our Charter requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the conversion date, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or rights of our common stock. See **Description of Capital Stock** in the accompanying prospectus for further discussion of our common stock.

You will have no voting rights except under limited circumstances.

You will have no voting rights, except with respect to certain amendments to the terms of the Series B Mandatory Convertible Preferred Stock, in the case of certain dividend arrearages, in certain other limited circumstances and except as specifically required by California law. You will have no right to vote for any members of our board of directors except in the case of certain dividend arrearages. If dividends on any shares of the Series B Mandatory Convertible Preferred Stock (i) have not been declared and paid, or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable record date, in each case, for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods, the holders of shares of Series B Mandatory Convertible Preferred Stock, voting together as a single class with holders of any and all other classes or series of our preferred stock ranking equally with the Series B Mandatory Convertible Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding-up and having similar voting rights, will be entitled to elect a total of two additional members of our board of directors, subject to the terms and limitations described in the section of this prospectus supplement entitled **Description of Series B Mandatory Convertible Preferred Stock** **Voting Rights**.

The Series B Mandatory Convertible Preferred Stock will rank junior to all of our consolidated liabilities.

In the event of a bankruptcy, liquidation, dissolution or winding-up, our assets will be available to pay obligations on the Series B Mandatory Convertible Preferred Stock only after all of our consolidated liabilities have been paid. In the event of a bankruptcy, liquidation, dissolution or winding-up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay amounts due on any or all of the Series B Mandatory Convertible Preferred Stock then outstanding. At March 31, 2018, we had total outstanding consolidated debt of approximately \$26.4 billion. We have the ability to, and may incur, additional indebtedness in the future.

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We may be unable to, or may choose not to, continue to pay dividends on our Series B Mandatory Convertible Preferred Stock or our common stock or Series A Mandatory Convertible Preferred Stock at current or planned rates or at all.

Any future payments of cash dividends, and the amount of any cash dividends we pay, on the Series B Mandatory Convertible Preferred Stock and our common stock and Series A Mandatory Convertible Preferred Stock, and any other series of our preferred stock we may issue in the future will depend on, among other things, our financial condition, capital requirements and results of operations, and the ability of our subsidiaries and investments to distribute cash to us, as well as other factors that our board of directors may consider relevant. If we were to reduce the amount of cash dividends per share payable on our common stock, fail to increase the amount of those cash dividends per share in the future in accordance with market expectations, or at all, or cease paying those cash dividends altogether, it would likely have an adverse impact, which may be material, on the market price of our common stock, Series A Mandatory Convertible Preferred Stock and on the Series B Mandatory Convertible Preferred Stock and any other series of preferred stock we may issue in the future. Likewise, any failure to pay scheduled dividends on our Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock or any other series of preferred stock we may issue in the future when due would likely have a material adverse impact on the market price of our Series A Mandatory Convertible Preferred Stock, our Series B Mandatory Convertible Preferred Stock, our common stock, any other series of preferred stock we may issue in the future and our debt securities and would prohibit us, under the terms of the Series A Mandatory Convertible Preferred Stock and the anticipated terms of the Series B Mandatory Convertible Preferred Stock, or may prohibit us, under the terms of any other series of preferred stock we may issue, from paying cash dividends on or repurchasing shares of our common stock (subject to limited exceptions) until such time as we have paid all accumulated and unpaid dividends on the Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock or, if applicable, any other series of preferred stock we may issue, as the case may be.

In addition, under California law, our board of directors (or an authorized committee thereof) may not declare and pay dividends on shares of our common stock, Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock or any other series of preferred stock we may issue unless it has determined in good faith that either (1) the amount of our retained earnings immediately prior to the dividend equals or exceeds the sum of (A) the amount of the proposed dividend plus (B) cumulative dividends in arrears on all shares of our capital stock having a preference with respect to payment of dividends over our common stock, Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock or any such other series of preferred stock we may issue, as the case may be (the preferential rights amount), or (2) immediately after the dividend, the value of our assets would equal or exceed the sum of our total liabilities plus the preferential rights amount. Further, even if we are permitted under our contractual obligations and California law to declare and pay cash dividends on the shares of common stock, Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock and any other series of preferred stock we may issue, we may not have sufficient cash to declare and pay dividends in cash on the outstanding shares of our common stock, Series A Mandatory Convertible Preferred Stock, Series B Mandatory Convertible Preferred Stock and any other series of preferred stock we may issue.

If upon (i) mandatory conversion, (ii) an early conversion at the option of a holder or (iii) an early conversion upon a fundamental change, we have not declared and paid all or any portion of the accumulated dividends payable on the Series B Mandatory Convertible Preferred Stock for specified periods, converting holders will receive an additional number of shares of our common stock having a market value generally equal to the amount of such undeclared, accumulated and unpaid dividends, subject to the limitations described under Description of Series B Mandatory Convertible Preferred Stock Mandatory Conversion, Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder and Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole

Amount, respectively. In the case of mandatory conversion or conversion upon a fundamental change, if these limits to the adjustment of the conversion rate are reached, we will pay the shortfall in cash if we are legally permitted to do so and not restricted by the terms of

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our indebtedness at that time. We will not have an obligation to pay the shortfall in cash if these limits to the adjustment of the conversion rate are reached in the case of an early conversion at the option of the holder.

Sempra Energy's ability to pay dividends and to meet its debt obligations largely depends on the performance of its subsidiaries and the ability to utilize the cash flows from those subsidiaries.

Sempra Energy is a holding company substantially all of whose assets are owned by its subsidiaries. Sempra Energy's ability to pay dividends and meet its debt and other obligations depends almost entirely on cash flows from its subsidiaries and joint ventures and other entities in which it has invested and, in the short term, its ability to raise capital from external sources. In the long term, cash flows from the subsidiaries and the joint ventures and other entities in which we have invested depend on their ability to generate operating cash flows in excess of their own expenditures, common and preferred stock dividends, and debt or other obligations. In addition, our subsidiaries and the joint ventures and other entities in which we invest are separate and distinct legal entities that are not obligated to pay dividends or make loans or distributions to Sempra Energy, whether to enable Sempra Energy to pay dividends on its common stock, Series A Mandatory Convertible Preferred Stock or any Series B Mandatory Convertible Preferred Stock or other series of preferred stock we may issue, or for paying principal and interest on its debt securities or for paying its other obligations, and could be precluded from paying any such dividends or making any such loans or distributions under certain circumstances, including, without limitation, as a result of legislation, regulation, court order, contractual restrictions or in times of financial distress or, in the case of dividends on our common stock, as a result of the terms and provisions of our Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock that prohibit the payment of dividends or distributions on our common stock if dividends on our Series A Mandatory Convertible Preferred Stock or our Series B Mandatory Convertible Preferred Stock, as the case may be, are not paid when due. See "Description of Series A Mandatory Convertible Preferred Stock" and "Description of Series B Mandatory Convertible Preferred Stock" in this prospectus supplement.

A significant portion of our worldwide cash reserves are generated by, and therefore held in, foreign jurisdictions. As a result of the Tax Reform and Jobs Act of 2017 (the "TCJA"), the cumulative undistributed earnings of our foreign entities were deemed repatriated and subjected to a one-time U.S. federal income tax. Based on current assumptions, when we repatriate these foreign earnings to the U.S. in 2018 or later, they will not be subject to additional U.S. federal income taxes. However, some foreign jurisdictions and U.S. states impose taxes on dividends repatriated to a U.S. parent company, which will reduce the cash available to us.

You may be subject to tax with respect to the Series B Mandatory Convertible Preferred Stock even though you do not receive a corresponding cash distribution.

The conversion rate of the Series B Mandatory Convertible Preferred Stock is subject to adjustment in certain circumstances. See "Description of Series B Mandatory Convertible Preferred Stock" Anti-Dilution Adjustments. If, as a result of an adjustment (or failure to make an adjustment), your proportionate interest in our assets or earnings and profits is increased, you may be deemed to have received for U.S. federal income tax purposes a taxable distribution without the receipt of any cash. In addition, we may make distributions to holders of the Series B Mandatory Convertible Preferred Stock that are paid in common stock. Any such distribution would be taxable to the same extent as a cash distribution of the same amount. In these circumstances and possibly others, a holder of Series B Mandatory Convertible Preferred Stock may be subject to tax even though it has received no cash with which to pay that tax, thus giving rise to an out-of-pocket expense. If you are a non-U.S. Holder (as defined in "Material United States Federal Income Tax Considerations"), any deemed dividend could be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments or deliveries with respect to the Series B Mandatory Convertible Preferred Stock. See "Material United States Federal Income Tax Considerations" for a further discussion of the U.S. federal tax implications.

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*The unaudited pro forma condensed combined financial information referred to below and incorporated by reference in this prospectus supplement and the accompanying prospectus is presented for illustrative purposes only and does not purport to represent what our financial position or results of operations would have been had the Oncor Merger and the related transactions described in the unaudited pro forma condensed combined financial information (the **Oncor Transactions**) been completed on the dates assumed for purposes of that unaudited pro forma condensed combined financial information, nor does it purport to reflect our financial position or results of operations as of any date or for any period following the **Oncor Transactions**.*

We have incorporated by reference in this prospectus supplement and the accompanying prospectus the unaudited pro forma condensed combined financial information appearing as Exhibit 99.3 to our Current Report on Form 8-K/A filed with the SEC on May 3, 2018 (the **May 3, 2018 8-K**). This unaudited pro forma condensed combined financial information gives pro forma effect to the Oncor Merger, our financing for the Oncor Merger and certain related transactions, subject to the assumptions and limitations described therein. You should carefully review such unaudited pro forma condensed combined financial information and the other information appearing in the **May 3, 2018 8-K** (including the exhibits thereto) before investing in our Series B Mandatory Convertible Preferred Stock.

The unaudited pro forma condensed combined financial information included in the **May 3, 2018 8-K** is presented for illustrative purposes only, is based on numerous adjustments, assumptions and estimates, is subject to numerous other uncertainties and does not purport to reflect what our financial position or results of operations would have been had the **Oncor Transactions** been completed as of the dates assumed for purposes of that unaudited pro forma condensed combined financial information, nor does it purport to reflect our financial position or results of operations as of any date or for any period following the **Oncor Transactions**.

The unaudited pro forma condensed combined financial information has also been prepared on the assumption that the **Oncor Transactions** would be completed on the terms and in accordance with the assumptions set forth in Exhibit 99.3 to the **May 3, 2018 Form 8-K**. Any changes in these assumptions would result in a change in the unaudited pro forma condensed combined financial information, which could be material. See the **May 3, 2018 Form 8-K**, including the unaudited pro forma condensed combined financial information, EFH's consolidated financial statements and Oncor Holdings' consolidated financial statements included as Exhibits 99.3, 99.1 and 99.2, respectively, thereto, which **Form 8-K** is incorporated by reference in this prospectus supplement and the accompanying prospectus and may be obtained as described under the caption **Where You Can Find More Information** in the accompanying prospectus.

Our, EFH's and Oncor Holdings' financial positions and results of operations prior to or following the **Oncor Merger** may not be consistent with, or evident from, the unaudited pro forma condensed combined financial information included in the **May 3, 2018 Form 8-K**. In addition, the assumptions or estimates used in preparing the unaudited pro forma condensed combined financial information may not prove to be accurate and may be affected by a broad range of factors.

Although the unaudited pro forma condensed combined financial information incorporated by reference in this prospectus supplement and the accompanying prospectus includes sensitivity analyses that are intended to assist you in quantifying the impact of changes in certain of the assumptions used in preparing such unaudited pro forma condensed combined financial information, those sensitivity analyses reflect the pro forma impact of only a limited number of those assumptions and therefore do not allow you to quantify the impact of changes in any of the other assumptions made in calculating this unaudited pro forma condensed combined financial information and changes in certain of those other assumptions may have a material impact on the unaudited pro forma condensed combined financial information. Likewise, the sensitivity analyses we have provided do not necessarily address the impact of all possible changes in the relevant assumptions.

As a result of the foregoing, investors should not place undue reliance on the unaudited pro forma condensed combined financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

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Anti-takeover provisions in our organizational documents might discourage, delay or prevent changes in control of our company and may result in an entrenchment of management and diminish the value of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock.

Certain provisions of our articles of incorporation and bylaws could have the effect of delaying, deterring or preventing another party from acquiring or seeking to acquire control of us. These provisions are intended to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage anyone seeking to acquire control of us to negotiate first with our board of directors. However, these provisions could also delay, deter or prevent a change of control or other takeover of our company that our shareholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market prices of our common stock, Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock, and may also limit the prices that investors are willing to pay in the future for our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock. These provisions may also have the effect of preventing changes in our management. Our articles of incorporation and bylaws include anti-takeover provisions that:

authorize our board of directors, without a vote or other action by our shareholders, to cause the issuance of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting that series and to establish the rights, preferences, privileges and restrictions of that series, which may include, among other things, dividend and liquidation rights and preferences, rights to convert such shares into common stock, voting rights and other rights which may adversely affect the voting or other rights and the economic interests of holders of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock;

establish advance notice requirements and procedures for shareholders to submit nominations of candidates for election to our board of directors and to propose other business to be brought before a shareholders meeting;

provide that vacancies in our board of directors, including vacancies created by the removal of any director, may be filled by a majority of the directors then in office or by the sole remaining director;

provide that no shareholder may cumulate votes in the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election by our common shareholders;

require that any action to be taken by our shareholders must be taken either (1) at a duly called annual or special meeting of shareholders or (2) by the unanimous written consent of all of our shareholders, unless our board of directors, by resolution adopted by two-thirds of the authorized number of directors, waives the foregoing provision in any particular circumstance; and

require action by shareholders holding not less than 1/10th of the voting power of our capital stock in order for our shareholders to call a special meeting of shareholders.

Certain rights of the holders of the Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock could delay or prevent an otherwise beneficial takeover or takeover attempt of us and, therefore, may affect the ability of holders of Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock to exercise their rights associated with a potential fundamental change.

Certain rights of the holders of the Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock could make it more difficult or more expensive for a third party to acquire us. For example, if a fundamental change were to occur on or prior to January 15, 2021, in the case of the Series A Mandatory Convertible Preferred Stock, or July 15, 2021, in the case of the Series B Mandatory Convertible Preferred Stock, holders of the applicable series of preferred stock may have the option to convert their preferred stock, in whole or in part, at an increased conversion rate and will also be entitled to receive a fundamental

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change dividend make-whole amount equal to the present value of all remaining dividend payments on the applicable series of preferred stock. See Description of Series B Mandatory Convertible Preferred Stock Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount. These features of the Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

An active trading market for the Series B Mandatory Convertible Preferred Stock does not exist and may not develop.

The Series B Mandatory Convertible Preferred Stock is a new issue of securities with no established trading market. We intend to apply to have the Series B Mandatory Convertible Preferred Stock listed on the NYSE under the symbol SREPRB. Even if the Series B Mandatory Convertible Preferred Stock is approved for listing on the NYSE, such listing does not guarantee that a trading market for the Series B Mandatory Convertible Preferred Stock will develop or, if a trading market for the Series B Mandatory Convertible Preferred Stock does develop, the depth or liquidity of that market or the ability of the holders to sell the Series B Mandatory Convertible Preferred Stock, or to sell the Series B Mandatory Convertible Preferred Stock at a favorable price.

The market price of our Series B Mandatory Convertible Preferred Stock, common stock and Series A Mandatory Convertible Preferred Stock may be volatile. This volatility may affect the price at which you can sell your shares of Series B Mandatory Convertible Preferred Stock.

We expect that generally the market price of our common stock will affect the market price of the Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock more than any other single factor. The market price for our common stock has historically experienced, and may continue to experience, volatility. This volatility may affect the market price of our common stock, and the sale or issuance of substantial amounts of our common stock, or the perception that such sales or issuances could occur, could adversely affect the market price of our common stock. In addition, the availability for sale of substantial amounts of our common stock could adversely impact its market price. In that regard, we remained obligated to issue 7,156,185 shares of our common stock (subject to our right to elect cash settlement or net share settlement) as described under Prospectus Supplement Summary The Offering as of June 30, 2018, and we plan to enter into forward sale agreements in the Concurrent Offering obligating us to sell \$1.1 billion of shares of our common stock (subject to our right to elect cash settlement or net share settlement) to the forward purchasers, in each case on settlement dates specified by us on or prior to December 15, 2019 pursuant to the Existing Forward Sale Agreements. In addition, the issuance of substantial amounts of our common stock upon conversion of our outstanding Series A Mandatory Convertible Preferred Stock or the Series B Mandatory Convertible Preferred Stock, the payment of dividends on the Series A Mandatory Convertible Preferred Stock or the Series B Mandatory Convertible Preferred Stock in the form of shares of our common stock, or the perception that such sales or dividends could occur, could adversely affect the market price of our common stock. Any of the foregoing may also impair our ability to raise additional capital through the sale of our equity securities. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including the factors discussed above under Forward-Looking Statements and Market Data or elsewhere in this Risk Factors section and the following:

actual or anticipated fluctuations in our operating results or our competitors or peers operating results;

actions by applicable regulatory authorities, including the CPUC and PUCT;

announcements by us, our competitors or our partners of significant contracts, acquisitions, divestitures or strategic investments;

our growth rate and our competitors or peers' growth rates;

the financial markets and general economic conditions;

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changes in stock market analyst recommendations regarding us, our competitors, our peers or the energy infrastructure, gas and electricity services industries generally, or lack of analyst coverage of our common stock;

sales of our common stock by our executive officers, directors and significant shareholders or sales of substantial amounts of our common stock or securities convertible into or exchangeable for our common stock;

changes in the amount of our common stock dividends per share, the common stock dividends per share paid by our competitors and interest rates; and

changes in tax laws and regulations, including the impact of the TCJA as described under the caption Risk factors. The TCJA may materially adversely affect our financial condition, results of operations and cash flows, the value of investments in our common stock, preferred stock and debt securities, and our credit ratings. in our most recent Annual Report on Form 10-K.

In addition, we expect that the market price of the Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock will be influenced by yield and interest rates in the capital markets, the time remaining to their respective mandatory conversion dates, our creditworthiness and the occurrence of certain events affecting us that do not require an adjustment to their respective conversion rates. Fluctuations in yield rates in particular may give rise to arbitrage opportunities based upon changes in the relative values of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock. Any such arbitrage could, in turn, affect the market prices of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock.

We expect that we will need to raise additional capital, and raising additional funds by issuing additional equity securities or with additional debt financing may cause dilution to shareholders or restrict our operations.

We expect that we will need to raise additional capital in the future. We may raise additional funds through public or private equity or debt offerings or other financings, as well as additional borrowings under our credit facilities. Additional issuances of equity securities, including shares of our common stock, or debt or other securities that are convertible into or exchangeable for, or that represent the right to receive, common stock, could dilute the economic and other rights and interests of holders of shares of our common stock and cause the market price of our common stock to decline.

Any new debt financing we enter into may involve covenants that restrict our operations more than our current outstanding debt and credit facilities. These restrictive covenants could include limitations on additional borrowings, and specific restrictions on the use of our assets, as well as prohibitions or limitations on our ability to create liens, pay dividends, receive distributions from our subsidiaries, redeem or repurchase our stock or make investments. These factors could hinder our access to capital markets and limit or delay our ability to carry out our capital expenditure plan or pursue other opportunities beyond the current capital expenditure plan, including the development opportunities that are part of our capital rotation plan described above under Summary Information Recent Developments Capital Rotation.

Sales or issuances of substantial amounts of our common stock in the public market, or the perception that these sales or issuances may occur, or the conversion of our Series A Mandatory Convertible Preferred Stock or Series B

Mandatory Convertible Preferred Stock or the payment of dividends on our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock in the form of shares of our common stock, could cause the market price of the Series B Mandatory Convertible Preferred Stock and our common stock and Series A Mandatory Convertible Preferred Stock to decline.

Sales or issuances of substantial amounts of our common stock in the public market, including upon settlement of the forward sale agreements we plan to enter into in connection with the Concurrent Offering or upon settlement of our remaining obligations under the Existing Forward Sale Agreements, or the perception that

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these sales or issuances may occur, or the conversion of our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock into shares of our common stock, or the payment of dividends on our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock in the form of shares of our common stock, could cause the market price of our Series B Mandatory Convertible Preferred Stock or our common stock or Series A Mandatory Convertible Preferred Stock to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Declines in the market price of our common stock may also materially and adversely affect the market price of our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock. Future sales or issuances of our common stock or other equity-related securities could be dilutive to holders of our common stock and could adversely affect their voting and other rights and economic interests, including purchasers of our common stock in the Concurrent Offering and holders of any shares of common stock issued on conversion of our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock, and could have a similar impact with respect to our Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock.

As a result of the Federal Power Act and the U.S. Federal Energy Regulatory Commission's regulations of transfers of control over public utilities, certain investors could be required to obtain regulatory approval to acquire shares of our common stock.

Several of our subsidiaries are public utilities (as defined in the Federal Power Act (the "FPA")) subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") because they own or operate FERC-jurisdictional facilities, including transmission facilities, certain generation interconnection facilities, and various paper facilities, such as wholesale power sales contracts and market-based rate tariffs. The FPA requires us either to obtain prior authorization, through our public utility subsidiaries, from FERC prior to the transfer of an amount of our common stock sufficient to convey direct or indirect control over any of our public utility subsidiaries or to qualify for a blanket authorization granted under FERC's regulations for certain types of transfers generally deemed by FERC not to convey direct or indirect control. At the same time, if any person and any of its associate or affiliate companies in the aggregate, any public utility (as defined in the FPA), or any holding company (as defined in the Public Utility Holding Company Act of 2005) acquires an amount of our common stock sufficient to convey direct or indirect control over any of our public utility subsidiaries, that acquirer would either need to obtain prior authorization for such acquisition from FERC or to qualify for a blanket authorization under FERC's regulations. Under FERC's regulations and applicable precedent, ownership of 10% or more of our common stock would be presumed to give that owner control absent rebuttal of that presumption. Any failure to obtain any such prior authorization or to qualify for a blanket authorization would generally allow FERC to void the transaction that resulted in the relevant person obtaining control over any of our public utility subsidiaries, including by acquiring 10% or more of our common stock, and/or to assess monetary penalties. Accordingly, investors should consult their own legal advisors before acquiring Series B Mandatory Convertible Preferred Stock in this offering if, upon receipt of any shares of common stock upon conversion of the Series B Mandatory Convertible Preferred Stock, or upon receipt of any shares of common stock that we may elect to distribute in lieu of cash dividends on the Series B Mandatory Convertible Preferred Stock, it would result in their owning more than 10% of our outstanding common stock or would otherwise give them direct or indirect control over any of our public utility subsidiaries.

Certain credit rating agencies may downgrade our credit ratings or place those ratings on negative outlook, which may adversely affect the market price of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock.

Credit rating agencies routinely evaluate us, and their ratings of our long-term and short-term debt are based on a number of factors, including the perceived supportiveness of the regulatory environment affecting our utility operations, our cash generating capability, level of indebtedness, overall financial strength, the status of certain capital

projects, like our Cameron LNG project, and most recently the indebtedness used to fund the Oncor Merger, as well as factors beyond our control, such as tax reform, the state of the economy and our industry

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generally. We have incorporated by reference in this prospectus supplement and the accompanying prospectus the risk factor included in our most recent Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 27, 2018 (the 2018 Form 10-K) under the heading Risk Factors Risks Related to Sempra Energy. Certain credit rating agencies may downgrade our credit ratings or place those ratings on negative outlook, which may adversely affect the market price of our common stock, preferred stock and debt securities. You should review and consider carefully the risks, uncertainties and other factors related to our credit ratings included in such risk factor and elsewhere in our 2018 Form 10-K as well as those risks, uncertainties and other factors related to our credit ratings described below.

Moody's Investors Service (Moody's) and Standard & Poor's (S&P) have issued public comments and reports regarding the risk of an increase in California wildfires and the current California regulatory environment, which may prohibit California utilities from recovering any uninsured wildfire costs in cases where the doctrine of inverse condemnation is applied to impose strict liability on a utility (meaning that the utility may be found liable without evidence of its negligence) whose equipment is determined to be the cause of a fire. On April 11, 2018, Moody's changed its rating outlook for SDG&E to negative from stable. Moody's indicated that SDG&E's credit profile is weighed down by potential for large contingent exposure created by the application of inverse condemnation and that the increasing inverse condemnation risk exposure has caused Moody's to reassess its view of the credit supportiveness of the regulatory environment in California. Moody's also indicated that the negative outlook reflects the adverse impact of the TCJA on SDG&E's financial performance going forward. The April 11, 2018 Moody's announcement also indicated that SDG&E's credit ratings could be downgraded if its ratio of cash flow from operations before changes in working capital to debt falls below 25% on a sustained basis or if there is little meaningful progress in addressing inverse condemnation via changes in legislation and/or regulation in California which significantly reduces the exposure of electric utilities operations to strict liability in connection with wildfires.

S&P issued a public comment on June 18, 2018 regarding its view that the recent heightened risks associated with natural disasters, including wildfires, earthquakes and mudslides, combined with California courts' application of inverse condemnation, significantly increases SDG&E's, SoCalGas', Sempra Energy's and the other California investor-owned utilities' potential contingent liabilities and reduces their credit quality. S&P further noted that if the key issues related to California's liability rules and regulations for utilities are not resolved in an expedited manner, S&P may change its assessment of the California regulatory environment and that this could ultimately result in ratings below investment grade for California utilities that are the most affected by wildfires. Further, on July 9, 2018, S&P reaffirmed its credit ratings for Sempra Energy, SDG&E and SoCalGas, but changed its outlook of each such rating to negative from stable. S&P indicated that the negative outlook reflects the possibility that the California legislature may not pass a bill within the current legislative session (ending August 31, 2018) that establishes a transparent standard for California utilities to recover wildfire-related costs and limits the risks borne by California's electric utilities for natural disasters, including wildfires. In the event that the legislature does not pass such a bill during its current session, S&P indicated that it would likely downgrade Sempra's and SoCalGas's credit ratings by one notch and SDG&E's credit ratings by three notches, which would result in a rating of BBB for Sempra's senior unsecured debt, A for SoCalGas's senior secured debt and BBB+ for SDG&E's senior secured debt. We discuss the 2007 wildfires and wildfire cost recovery further in Note 15 of the Notes to Consolidated Financial Statements to our 2018 Form 10-K, and in Note 11 of the Notes to Consolidated Financial Statements to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which are incorporated by reference in this prospectus supplement and the accompanying prospectus and may be obtained as described under Where You Can Find More Information in the accompanying prospectus.

As discussed in our 2018 Form 10-K, prior to completion of the Oncor Merger in March 2018, credit rating agencies issued comments regarding the possible negative impact of, among other things, the financing structure for the merger on our credit ratings. On January 9, 2018, Moody's indicated that the debt Sempra Energy incurred to fund a portion of

the cost of the Oncor Merger was credit negative and that there was uncertainty regarding the impact of the TCJA on our credit metrics, and further indicated the Moody's negative outlook reflected its expectation that our ratio of cash flow from operations before changes in working capital to debt will

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remain weak and will be more commensurate with the mid-range of the Baa-rating category. Further, on June 25, 2018, Moody's placed Sempra Energy's credit ratings on review for downgrade. Moody's indicated that the review was triggered by, among other things, the increased leverage to fund the Oncor Merger, execution risk associated with any initiatives that we may undertake to improve our credit quality, and uncertainty regarding the timing and extent of potential recovery in Sempra Energy's consolidated financial metrics. On June 29, 2018, Moody's then indicated that Phase 1 of the capital rotation plan we announced on June 28, 2018 as described above under Summary Information Recent Developments Capital Rotation, if successfully implemented in a timely and efficient manner, has the potential to be credit supportive because, among other things, our planned divestiture of the Assets and the Oncor Merger would reduce our exposure to unregulated and merchant power operations and improve our consolidated risk profile, and that the Oncor Merger provides regulatory diversification to our overall portfolio, reducing our consolidated business risk profile. However, Moody's noted there is high execution risk that our capital rotation plan will not be implemented in a timely or efficient manner, or at all, and that several milestones must occur over the next several years, including the successful completion of the sale of the Assets, for the successful completion of the plan, while we continue to produce key financial credit metrics that are weak relative to our current credit rating category.

The recent Moody's and S&P actions with respect to Sempra Energy, SDG&E and SoCalGas, any downgrade of the credit ratings of Sempra Energy or any of its subsidiaries by S&P, Fitch Ratings or Moody's, or any additional negative outlook on those credit ratings may adversely affect the market price of our Series B Mandatory Convertible Preferred Stock, common stock and our Series A Mandatory Convertible Preferred Stock, and could make it more costly for us to issue debt securities, to borrow under our credit facilities and to raise certain other types of financing. We cannot assure you that one or more credit rating agencies will not downgrade the credit ratings of us or any of our subsidiaries or that additional credit rating agencies will not place those ratings on negative outlook, either in the near term or later.

We may be unable to realize the anticipated benefits from our plan to divest certain of our assets as part of our capital rotation plan.

On June 28, 2018, we announced that our board of directors approved a plan to divest certain non-utility natural gas storage assets in the southeast U.S. and all of our U.S. wind and U.S. solar assets (collectively, the Assets). Any potential sale will be dependent upon a number of factors that may be beyond our control, including, but not limited to, market conditions, industry trends, consent rights or other rights granted to or held by third parties and the availability of financing to potential buyers on reasonable terms, and there can be no assurance that this plan will result in the identification or consummation of any sale or that any such sale, if completed, would be completed on terms that would result in additional value to our shareholders.

If we do not successfully manage our current capital rotation plan, or any other capital rotation plan that we may initiate in the future, any expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. In addition, on June 29, 2018, Moody's indicated that a timely and efficient execution of the divestiture of the Assets has the potential to be credit supportive, but is subject to high execution risk. If we are unable to successfully complete the disposition of the Assets in a timely or efficient manner, this could be viewed negatively by Moody's or other credit ratings agencies.

In addition, we expect to record impairment charges related to certain of the Assets totaling approximately \$1,470 million to \$1,545 million (approximately \$870 million to \$925 million, after tax and noncontrolling interests) in the second quarter of 2018. These charges include approximately \$1,290 million to \$1,320 million at Sempra LNG & Midstream (approximately \$745 million to \$760 million, after tax and noncontrolling interests) and approximately \$180 million to \$225 million at Sempra Renewables (approximately \$125 million to \$165 million, after tax and noncontrolling interests). These impairment charges will result primarily from adjusting the related Assets carrying

values to estimated fair values, less costs to sell. Other than the costs to sell, which we expect to be approximately \$10 million, we do not expect that any of the impairment charges will result in future cash expenditures. However, if we are unable to complete the plan of sale, or if the sale prices are lower or the costs to sell are higher than currently expected, the impairment charges recorded may differ, perhaps

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materially, from those currently expected. In addition, the sale of the Assets below their estimated fair values could result in losses, which could be significant.

Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock.

As described under Summary Information Recent Developments Elliott Associates, L.P., Elliott International, L.P. and Bluescape Resources Company LLC, on June 11, 2018, Elliott and Bluescape, collectively holders of an approximately 4.9% economic interest in our outstanding common stock as of such date, delivered a letter and accompanying presentation to our board of directors seeking collaboration with them and management to nominate six new directors identified by Elliott and Bluescape and establish a committee of the board of directors to conduct portfolio and operational reviews of our business. Elliott and Bluescape have also proposed, among other things, that we dispose of our interests in our South American utility subsidiaries and IEnova, and that we spin-off our interest in our Cameron LNG joint venture and certain other pipeline assets.

While we strive to maintain constructive, ongoing communications with all of our shareholders, and welcome their views and opinions with the goal of enhancing value for all shareholders, activist shareholders may, from time to time, engage in proxy solicitations or advance shareholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. Responding to proposals by activist shareholders may, and responding to a proxy contest instituted by shareholders would, require us to incur significant legal and advisory fees, proxy solicitation expenses (in the case of a proxy contest) and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from proposals by activist shareholders or a proxy contest could lead to the perception of a change in the direction of our business or instability which may be exploited by our competitors, result in the loss of potential business opportunities, and make it more difficult to pursue our strategic initiatives or attract and retain qualified personnel and business partners, any of which could have an adverse effect, which may be material, on our business and operating results. We may choose to initiate, or may become subject to, litigation as a result of proposals by activist shareholders or proxy contests or matters relating thereto, which would serve as a further distraction to our board of directors and management and could require us to incur significant additional costs.

In addition, actions such as those described above could cause significant fluctuations in the trading price of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock, based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. As an example, the price of our common stock increased by approximately 16% from \$101.43 per share to \$117.19 per share on June 11, 2018 after Elliott and Bluescape issued a press release announcing the submission of their letter and presentation to our board of directors. As we continue to engage in discussions with Elliott and Bluescape, the trading price of our common stock, Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock may be subject to significant fluctuations, including as a result of actions taken by activist shareholders and our responses thereto, which may be material.

Likewise, to the extent that we implement any proposals made by Elliott and Bluescape to restructure our board of directors, dispose of assets or businesses, make certain investments or expenditures or change certain aspects of our strategy, or similar proposals made by any of our shareholders or pursuant to a proxy contest, the resulting changes in our business, assets, results of operations and financial condition may be material and may have an impact, which may

be material, on the market price of our common stock, our Series A Preferred Stock and Series B Mandatory Convertible Preferred Stock, and may also cause substantial volatility in the trading price of those securities.

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Risks Related to the Forward Sale Agreements

The following risk factors apply to both the forward sale agreements that we plan to enter into in connection with the Concurrent Offering and the Existing Forward Sale Agreements we entered into in January 2018, and, unless otherwise expressly stated or the context otherwise requires, references in the following risk factors to the forward sale agreements and the forward purchasers include both the forward sale agreements we plan to enter into in connection with the Concurrent Offering and the forward purchasers party thereto and the Existing Forward Sale Agreements and the forward purchasers party to the Existing Forward Sale Agreements.

Settlement provisions contained in the forward sale agreements to be entered into in connection with the Common Stock Offering subject us to certain risks.

The forward purchasers under the forward sale agreements to be entered into in connection with the Common Stock Offering will have the right to accelerate the applicable forward sale agreements (or, in certain cases, the portion thereof that they determine is affected by the relevant event) and require us to physically settle the applicable forward sale agreements on a date specified by the applicable forward purchasers if:

they are unable to establish, maintain or unwind their hedge position with respect to the applicable forward sale agreements;

they determine that they are unable to, or it is commercially impracticable for them to, continue to borrow a number of shares of our common stock equal to the number of shares of our common stock underlying the applicable forward sale agreements or that, with respect to borrowing such number of shares of our common stock, they would incur a rate that is greater than the borrow cost specified in the applicable forward sale agreements, subject to a prior notice requirement;

we declare or pay cash dividends in an amount in excess of amounts, or at a time other than, those prescribed by the applicable forward sale agreements or declare or pay certain other types of dividends or distributions on shares of our common stock;

an event is announced that, if consummated, would result in an extraordinary event (including certain mergers and tender offers, our nationalization, our insolvency and the delisting of the shares of our common stock);

an ownership event (as such term is defined in the applicable forward sale agreements) occurs; or

certain other events of default, termination events or other specified events occur, including, among other things, a change in law.

The forward purchasers' decision to exercise their right to accelerate the applicable forward sale agreements (or, in certain cases, the portion thereof that they determine is affected by the relevant event) and to require us to settle the applicable forward sale agreements will be made irrespective of our interests, including our need for capital. In such

cases, we could be required to issue and deliver our common stock under the terms of the physical settlement provisions of the applicable forward sale agreements irrespective of our capital needs, which would result in dilution to our earnings per share and may adversely affect the market price of our common stock, our Series A Mandatory Convertible Preferred Stock and our Series B Mandatory Convertible Preferred Stock. In addition, we would be obligated to issue some or all of the shares offered in the Common Stock Offering pursuant to the underwriting agreement for that offering in the event that the number of shares underlying the forward sale agreements is reduced or eliminated, as described in Description of the Forward Sale Agreements.

The forward sale agreements provide for settlement on a settlement date or dates to be specified at our discretion, but which we expect to occur in one or more settlements on or prior to December 15, 2019 (for both the Existing Forward Sale Agreements and the forward sale agreements we plan to enter into in connection with the Concurrent Offering). Subject to the provisions of the forward sale agreements, delivery of our shares upon physical or net share settlement of the forward sale agreements will result in dilution to our earnings per share

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and may adversely affect the market price of our common stock, Series A Mandatory Convertible Preferred Stock and the Series B Mandatory Convertible Preferred Stock.

We may elect, subject to certain conditions, cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements if we conclude that it is in our interest to do so. For example, we may conclude that it is in our interest to cash settle or net share settle some or all of the forward sale agreements if we have no current use for all or a portion of the net proceeds due upon physical settlement of the forward sale agreements.

If we elect to cash or net share settle all or a portion of the shares of our common stock underlying any forward sale agreements, we would expect the applicable forward purchasers or their respective affiliates to purchase the number of shares necessary, based on the number of shares with respect to which we have elected cash or net share settlement, in order to satisfy their obligation to return the shares of our common stock they had borrowed in connection with sales of our common stock in the Common Stock Offering or, in the case of the Existing Forward Sale Agreements, our January 2018 common stock offering and, if applicable in connection with net share settlement, to deliver shares of our common stock to us or taking into account shares of our common stock to be delivered by us, as applicable. If the price paid by the applicable forward purchasers or their respective affiliates to so purchase our common stock is above the applicable forward sale price at that time, we will pay or deliver, as the case may be, to the applicable forward purchasers under the applicable forward sale agreements, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the price paid by the applicable forward purchasers or their respective affiliates to so purchase our common stock is below the applicable forward sale price at that time, the applicable forward purchasers will pay or deliver, as the case may be, to us under the applicable forward sale agreements, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference.

In addition, the purchase of our common stock by forward purchasers or their respective affiliates, to unwind the forward purchasers' hedge position, could cause the price of our common stock to increase over time, thereby increasing the amount of cash or the number of shares of our common stock that we would owe to the applicable forward purchasers upon cash settlement or net share settlement, as the case may be, of the applicable forward sale agreements, or decreasing the amount of cash or the number of shares of our common stock that the applicable forward purchasers owe us upon cash settlement or net share settlement, as the case may be, of the applicable forward sale agreements. See Description of the Forward Sale Agreements for information on the forward sale agreements we plan to enter into in connection with the Concurrent Offering.

In case of our bankruptcy or insolvency, the forward sale agreements will automatically terminate, and we would not receive the expected proceeds from the sale of our common stock.

If we file for or a regulatory authority with jurisdiction over us institutes, or we consent to, a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or we or a regulatory authority with jurisdiction over us presents a petition for our winding-up or liquidation, and we consent to such a petition, the forward sale agreements will automatically terminate. If the forward sale agreements so terminate, we would not be obligated to deliver to the applicable forward purchasers any shares of our common stock not previously delivered, and the forward purchasers would be discharged from their obligation to pay the relevant forward sale price per share in respect of any shares of common stock not previously settled. Therefore, to the extent there are any shares of our common stock with respect to which the forward sale agreements have not been settled at the time of the commencement of any such bankruptcy or insolvency proceedings, we would not receive the relevant forward sale price per share in respect of those shares of common stock.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, after deducting the underwriting discount but before deducting estimated offering expenses payable by us, will be approximately \$491.8 million (or approximately \$565.5 million if the underwriters exercise their over-allotment option to purchase additional shares of our Series B Mandatory Convertible Preferred Stock in full).

We intend to use net proceeds from this offering and, if applicable, upon any exercise by the underwriters of their option to purchase additional shares of Series B Mandatory Convertible Preferred Stock and, if completed, the Concurrent Offering to repay commercial paper, to fund working capital and for other general corporate purposes. However, this offering is not contingent on the completion of the Concurrent Offering and the Concurrent Offering is not contingent on the completion of this offering, and there can be no assurance that the Concurrent Offering will be consummated on the terms described herein or at all. We issued approximately \$2.6 billion of commercial paper in February 2018 and March 2018 (the Oncor Merger Commercial Paper) to fund a portion of the Oncor Merger Consideration. As of July 6, 2018, we had approximately \$2.9 billion of commercial paper outstanding, bearing interest at rates up to 2.8% per annum and maturing at various dates in July, August and September 2018, consisting of roll-overs of the Oncor Merger Commercial Paper together with some newly issued commercial paper. We intend to repay a portion of such outstanding commercial paper with the net proceeds from this offering. In addition, depending upon when we receive the net proceeds from the Concurrent Offering, if completed, such net proceeds from the Concurrent Offering, if any, will be used to repay a portion of the currently outstanding roll-overs of the Oncor Merger Commercial Paper or a portion of further roll-overs of the Oncor Merger Commercial Paper.

Pending application of the net proceeds of this offering for the foregoing purposes, we expect to invest such net proceeds in various instruments which may include, but would not be limited to, short- and intermediate-term, interest-bearing obligations, including bank deposits and certificates of deposit with financial institutions that have investment-grade ratings, U.S. government obligations or money market funds primarily invested in securities issued by the U.S. government or its agencies.

As described above, proceeds from this offering will be used to repay outstanding commercial paper. One or more of the underwriters participating in this offering and/or their affiliates may hold positions in our commercial paper, one or more of the underwriters act as dealers under our commercial paper programs, and affiliates of certain underwriters are lenders under our credit facilities. To the extent that any net proceeds we receive from the sale of the Series B Mandatory Convertible Preferred Stock in this offering are applied to repay any of our outstanding indebtedness (including commercial paper and bank loans) held by any of the underwriters or their affiliates, they will receive proceeds from this offering through the repayment of that indebtedness. If the amount of such proceeds so received by any underwriter or its affiliates is more than 5% of the net proceeds of this offering, such underwriter would be deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering, as the shares of our common stock have a bona fide public market (as defined in FINRA Rule 5121). In addition, such underwriter would not be permitted to make sales in this offering to any discretionary account without the prior written approval of the customer. See Underwriting (Conflicts of Interest) for additional information.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of March 31, 2018:

on an actual basis;

as adjusted to give effect to the issuance and sale of our Series B Mandatory Convertible Preferred Stock in this offering (but not the use of proceeds therefrom); and

as further adjusted to also give effect to the issuance and sale of our common stock to the forward purchasers under the forward sale agreements that we plan to enter into in connection with the Concurrent Offering, assuming full physical settlement of the forward sale agreements as of March 31, 2018 at the initial forward sale price of \$111.873125 per share (but not the use of proceeds therefrom).

The following information is based on the assumptions described below and does not purport to reflect the actual amounts of proceeds we will receive from this offering or the settlement of the forward sale agreements we plan to enter into in connection with the Concurrent Offering or what our actual consolidated cash and cash equivalents or capitalization will be upon completion of those transactions. Moreover, because the closing of this offering is not contingent on the completion of the Concurrent Offering, you should not assume that the Concurrent Offering, as reflected in the applicable column below, will take place. This table should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Actual	As Adjusted for this Offering (dollars in millions)	As Further Adjusted for the Forward Sale Settlement
Cash and cash equivalents	\$ 239	\$ 730	\$ 1,821
Debt:			
Short-term debt (includes current portion of long-term debt)	\$ 5,536	\$ 5,536	\$ 5,536
Long-term debt (excluding current portion)	\$ 20,863	\$ 20,863	\$ 20,863
Total debt	\$ 26,399	\$ 26,399	\$ 26,399
Equity:			
Preferred stock (50 million shares authorized; 17.25 million shares of Series A Mandatory Convertible Preferred Stock and no shares of Series B Mandatory Convertible Preferred Stock outstanding, actual; 17.25 million shares of Series A Mandatory Convertible Preferred Stock and	\$ 1,693	\$ 2,184	\$ 2,184

5 million shares of Series B Mandatory Convertible Preferred Stock outstanding, as adjusted for this offering and as further adjusted for the full physical settlement of the forward sale agreements)				
Common stock (750 million shares authorized; 263.9 million shares outstanding, actual and as adjusted for this offering; 273.7 million shares outstanding as further adjusted for the full physical settlement of the forward sale agreements)	\$ 4,436	\$ 4,436	\$ 5,527	
Retained earnings	\$ 10,260	\$ 10,260	\$ 10,260	
Accumulated other comprehensive loss	\$ (545)	\$ (545)	\$ (545)	
Total Sempra Energy shareholders equity	\$ 15,844	\$ 16,335	\$ 17,426	
Preferred stock of subsidiary	\$ 20	\$ 20	\$ 20	
Other noncontrolling interests	\$ 2,441	\$ 2,441	\$ 2,441	
Total equity	\$ 18,305	\$ 18,796	\$ 19,887	
Total capitalization	\$ 44,704	\$ 45,195	\$ 46,286	

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The information in the foregoing table does not reflect our issuance of 4,783,068 shares of our common stock on June 13, 2018 to settle a portion of the Existing Forward Sale Agreements (as described below), our issuance of 2,868,603 shares of our common stock on June 27, 2018 to settle a portion of the Existing Forward Sale Agreements, \$400 million aggregate principal amount of first mortgage bonds issued by our subsidiary San Diego Gas & Electric Company in May 2018 or \$400 million aggregate principal amount of first mortgage bonds issued by our subsidiary Southern California Gas Company in May 2018. For information on shares of our common stock that we may issue or may be required to issue in the future, see Summary Information The Offering Shares Outstanding Following the Offerings.

The information in the foregoing table is based on the number of shares of our common stock outstanding as of March 31, 2018 with certain exclusions as described below, and assumes that we receive net proceeds of \$491.8 million from the sale of shares of our Series B Mandatory Convertible Preferred Stock and \$1.091 billion of net proceeds from the sale of common stock pursuant to the forward sale agreements we plan to enter into in connection with the Concurrent Offering (in each case after deducting discounts but before deducting offering expenses payable by us and assuming full physical settlement of the forward sale agreements at the initial forward sale price referred to below).

The assumed amount of net proceeds from sales of our common stock under the forward sale agreements assumes full physical settlement of the forward sale agreements at the initial forward sale price of \$111.873125 per share and that settlement under the forward sale agreements occurs concurrently with the closing of the Concurrent Offering. However, we expect to settle the forward sale agreements in one or more settlements on or prior to December 15, 2019. In addition, although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of proceeds that is significantly lower than the amount reflected in the foregoing table, and we may not receive any proceeds (or may owe cash, which could be a significant amount, to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the forward purchasers (and we may be required to deliver shares of our common stock to the forward purchasers, and the number of those shares could be significant). In addition, the forward sale price is subject to adjustment pursuant to the forward sale agreements and the actual proceeds are subject to settlement of the forward sale agreements. The forward sale agreements are also subject to acceleration by the forward purchasers upon the occurrence of certain events.

The actual number of shares of our common stock and the number of shares of our common stock as further adjusted for the full physical settlement of the forward sale agreements we plan to enter into in connection with the Concurrent Offering set forth in the line item captioned Common stock in the foregoing table are based on 263,946,124 shares of our common stock outstanding as of March 31, 2018 and are based on various assumptions (including those discussed above) and exclusions. For additional information, see Summary The Offering Shares Outstanding Following the Offerings. In that regard, the number of shares of our common stock as further adjusted for the forward sale settlement, as set forth in the line item captioned Common Stock in the foregoing table, assumes full physical settlement of the forward sale agreements and is based on the number of shares that we will be obligated to issue upon full physical settlement of the forward sale agreements (unless we elect, subject to certain conditions, to cash settle or net share settle).

The information contained in the table above assumes that the over-allotment option we have granted to the underwriters in this offering to purchase additional shares of our Series B Mandatory Convertible Preferred Stock and the over-allotment option we have granted to the underwriters in the Concurrent Offering to purchase additional shares of our common stock directly from us are not exercised.

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Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

Our common stock is listed on the NYSE under the symbol SRE. The following table sets forth the high and low sale prices, as reported in the consolidated transaction reporting system. As of July 6, 2018, there were 271,855,639 shares of our common stock outstanding.

Calendar Year:	High	Low	Dividends Declared Per Share of Common Stock
2016:			
First Quarter	\$ 104.70	\$ 86.72	\$ 0.755
Second Quarter	114.03	100.40	0.755
Third Quarter	114.66	102.15	0.755
Fourth Quarter	109.42	92.95	0.755
2017:			
First Quarter	\$ 113.15	\$ 99.71	\$ 0.8225
Second Quarter	117.97	107.86	0.8225
Third Quarter	120.17	110.35	0.8225
Fourth Quarter	122.98	105.03	0.8225
2018:			
First Quarter	\$ 113.54	\$ 100.63	\$ 0.8950
Second Quarter	119.78	100.49	0.8950
Third Quarter (through July 10, 2018)	118.36	114.50	

On July 10, 2018, the last reported sale price of our common stock on the NYSE was \$117.30. As of July 6, 2018, there were approximately 26,121 holders of record of our common stock.

On June 20, 2018, our board of directors declared a dividend of \$0.8950 per share of our common stock payable on July 15, 2018 to shareholders of record as of the close of business on July 2, 2018.

We have historically paid dividends on our common stock on the 15th day of January, April, July and October; however, the declaration, amount, timing and payment of any future dividends on our common stock, Series A Mandatory Convertible Preferred Stock or Series B Mandatory Convertible Preferred Stock are subject to the determination and approval of our board of directors based on then-current or anticipated future conditions including our results of operations, capital requirements, financial condition, legal requirements or other factors deemed relevant by our board of directors. See Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock We may be unable to, or may choose not to, continue to pay dividends on our Series B Mandatory Convertible Preferred Stock or our common stock or Series A Mandatory Convertible Preferred Stock at current or planned rates or at all.

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DESCRIPTION OF SERIES B MANDATORY CONVERTIBLE PREFERRED STOCK

The following is a description of certain provisions of our 6.75% Mandatory Convertible Preferred Stock, Series B, which we refer to as our Series B Mandatory Convertible Preferred Stock. A copy of the certificate of determination setting forth the terms of the Series B Mandatory Convertible Preferred Stock, which we refer to as the Series B Certificate of Determination, as well as our Amended and Restated Articles of Incorporation, as heretofore amended, which we refer to as our Charter, is available upon request from us at the address set forth in the section of the accompanying prospectus entitled Where You Can Find More Information. This summary of the terms of the Series B Mandatory Convertible Preferred Stock is not complete and is subject to, and qualified in its entirety by reference to, the provisions of our Charter and the Series B Certificate of Determination.

As used in this section, unless otherwise expressly stated or the context otherwise requires, the terms Sempra Energy, the Company, us, we or our refer to Sempra Energy and not any of its subsidiaries or affiliates.

General

Under our Charter, our board of directors is authorized, without further shareholder action, to issue up to 50,000,000 shares of preferred stock in one or more series by filing a certificate of determination with the Secretary of State of the State of California. Such certificate of determination may set forth the designations, privileges, preferences and rights of the shares of each such series of preferred stock and the restrictions thereof, including the dividend rate, the amount payable in the event of our voluntary or involuntary liquidation, winding-up or dissolution, the terms and conditions, if any, of conversion and the voting rights. As of the date of this prospectus supplement, 17,250,000 shares of our Series A Mandatory Convertible Preferred Stock and no shares of our Series B Mandatory Convertible Preferred Stock are outstanding. At the consummation of this offering, we will issue 5,000,000 shares of the Series B Mandatory Convertible Preferred Stock. In addition, we have granted the underwriters an option to purchase up to 750,000 additional shares of the Series B Mandatory Convertible Preferred Stock as described under Underwriting (Conflicts of Interest).

When issued, the Series B Mandatory Convertible Preferred Stock and any common stock issued upon the conversion of the Series B Mandatory Convertible Preferred Stock will be fully paid and nonassessable. The holders of the Series B Mandatory Convertible Preferred Stock will have no preemptive or preferential rights to purchase or subscribe for stock, obligations, warrants or other securities of ours of any class. American Stock Transfer & Trust Company, LLC serves as the transfer agent and registrar of our common stock and will serve as transfer agent, registrar and conversion and dividend disbursing agent for the Series B Mandatory Convertible Preferred Stock.

Ranking

The Series B Mandatory Convertible Preferred Stock, with respect to dividend rights and distribution rights upon our liquidation, winding-up or dissolution, will rank:

senior to (i) our common stock and (ii) each other class or series of our capital stock established after the first original issue date of shares of the Series B Mandatory Convertible Preferred Stock (which we refer to as the initial issue date) the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series B Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon our liquidation, winding-up or dissolution (in this section, we refer to our common stock and all such other classes or series of capital stock, collectively, as junior stock);

on parity with our Series A Mandatory Convertible Preferred Stock and each class or series of our capital stock established after the initial issue date the terms of which expressly provide that such class

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or series will rank on parity with the Series B Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon our liquidation, winding-up or dissolution (which we refer to collectively as parity stock);

junior to each class or series of our capital stock established after the initial issue date the terms of which expressly provide that such class or series will rank senior to the Series B Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon our liquidation, winding-up or dissolution (which we refer to collectively, in this section, as senior stock);

junior to our existing and future indebtedness and other liabilities; and

structurally subordinated to any existing and future indebtedness and other liabilities of our subsidiaries and capital stock of our subsidiaries held by third parties.

Dividends

Subject to the rights of holders of any class or series of our capital stock ranking senior to the Series B Mandatory Convertible Preferred Stock with respect to dividends, holders of the Series B Mandatory Convertible Preferred Stock will be entitled to receive, when, as and if declared by our board of directors, or an authorized committee thereof, out of funds legally available for payment, cumulative dividends at the rate per annum of 6.75% of the liquidation preference of \$100.00 per share of the Series B Mandatory Convertible Preferred Stock (equivalent to \$6.75 per annum per share), payable in cash, by delivery of shares of our common stock or by delivery of any combination of cash and shares of our common stock, as determined by us in our sole discretion (subject to the limitations described below). See Method of Payment of Dividends below. Declared dividends on the Series B Mandatory Convertible Preferred Stock will be payable quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on October 15, 2018, to, and including, July 15, 2021 (each, a dividend payment date), at such annual rate, and dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the initial issue date of the Series B Mandatory Convertible Preferred Stock, whether or not in any dividend period or periods there have been funds legally available for the payment of such dividends. Declared dividends will be payable on the relevant dividend payment date to holders of record of the Series B Mandatory Convertible Preferred Stock as they appear on our stock register at the close of business on the immediately preceding January 1, April 1, July 1 and October 1 (each, a record date), whether or not such holders convert their shares, or such shares are automatically converted, after a record date and on or prior to the immediately succeeding dividend payment date. These record dates will apply regardless of whether a particular record date is a business day. A

business day means any day other than a Saturday or Sunday or any other day on which commercial banks in New York City are authorized or required by law or executive order to close. If a dividend payment date is not a business day, payment will be made on the next succeeding business day, without any interest or other payment in lieu of interest accruing with respect to this delay.

A dividend period is the period from, and including, a dividend payment date to, but excluding, the next dividend payment date, except that the initial dividend period will commence on, and include, the initial issue date of the Series B Mandatory Convertible Preferred Stock and will end on, and exclude, the October 15, 2018 dividend payment date. The amount of dividends payable on each share of the Series B Mandatory Convertible Preferred Stock for each full dividend period (after the initial dividend period) will be computed by dividing the annual dividend rate by four. Dividends payable on the Series B Mandatory Convertible Preferred Stock for any period other than a full dividend period will be computed based upon the actual number of days elapsed during such period over a 360-day year

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(consisting of twelve 30-day months). Accordingly, the dividend on the Series B Mandatory Convertible Preferred Stock for the first dividend period, assuming the initial issue date is July 13, 2018 will be \$1.725 per share and will be payable, when, as and if declared, on October 15, 2018 to the holders of record thereof at the close of business on October 1, 2018. The dividend on the Series B Mandatory Convertible Preferred Stock for each subsequent dividend period, when, as and if declared, will be \$1.6875 per share. Accumulations of dividends on shares of the Series B Mandatory Convertible Preferred Stock will not bear interest.

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No dividend will be declared or paid upon, or any sum of cash or number of shares of our common stock set apart for the payment of dividends upon, any outstanding shares of Series B Mandatory Convertible Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum of cash or number of shares of our common stock has been set apart for the payment of such dividends upon, all outstanding shares of Series B Mandatory Convertible Preferred Stock.

Except as described above, dividends on shares of Series B Mandatory Convertible Preferred Stock converted to common stock will cease to accumulate, and all other rights of holders of the Series B Mandatory Convertible Preferred Stock will terminate, from and after the mandatory conversion date, the fundamental change conversion date or the early conversion date (each, as defined below), as applicable.

Our ability to declare and pay cash dividends and to make other distributions with respect to our capital stock, including the Series B Mandatory Convertible Preferred Stock, may be limited by the terms of our and our subsidiaries' existing and any future indebtedness. In addition, our ability to declare and pay dividends may be limited by applicable California law. See Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock We may be unable to, or may choose not to, continue to pay dividends on our Series B Mandatory Convertible Preferred Stock or our common stock or Series A Mandatory Convertible Preferred Stock at current or planned rates or at all.

So long as any share of Series B Mandatory Convertible Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on our common stock or any other class or series of junior stock, and no common stock or any other junior stock shall be purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries unless, in each case, all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid, or a sufficient sum of cash or number of shares of our common stock has been set apart for the payment of such dividends, on all outstanding shares of Series B Mandatory Convertible Preferred Stock. The foregoing limitation shall not apply to: (i) any dividend or distribution payable in shares of common stock or other junior stock, together with cash in lieu of any fractional share, (ii) purchases, redemptions or other acquisitions of common stock or other junior stock in connection with the administration of any benefit or other incentive plan, including any employment contract, in the ordinary course of business, including, without limitation, (x) purchases to offset the share dilution amount pursuant to a publicly announced repurchase plan, *provided* that any purchases to offset the share dilution amount shall in no event exceed the share dilution amount, (y) the forfeiture of unvested shares of restricted stock or share withholdings or other surrender of shares to which the holder may otherwise be entitled upon exercise, delivery or vesting of equity awards (whether in payment of applicable taxes, the exercise price or otherwise), and (z) the payment of cash in lieu of fractional shares; (iii) purchases of fractional interests in shares of any common stock or other junior stock pursuant to the conversion or exchange provisions of such shares of other junior stock or any securities exchangeable for or convertible into shares of common stock or other junior stock; (iv) any dividends or distributions of rights or common stock or other junior stock in connection with a shareholders' rights plan or any redemption or repurchase of rights pursuant to any shareholders' rights plan; (v) purchases of common stock or other junior stock pursuant to a contractually binding requirement to buy common stock or other junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan; (vi) the deemed purchase or acquisition of fractional interests in shares of our common stock or other junior stock pursuant to the conversion or exchange provisions of such shares or the security being converted or exchanged; (vii) the acquisition by us or any of our subsidiaries of record ownership in common stock or other junior stock or parity stock for the beneficial ownership of any other persons (other than us or any of our subsidiaries), including as trustees or custodians, and the payment of cash in lieu of fractional shares; and (viii) the exchange or conversion of junior stock for or into other junior stock or of parity stock for or into other parity stock (with the same or lesser aggregate liquidation amount) or junior stock and the payment of cash in lieu of fractional shares. The phrase "share dilution amount" means the increase in the number of diluted shares outstanding (determined in accordance with

accounting principles generally accepted in the United States of America and as measured from the initial issue date) resulting from the grant, vesting or exercise of equity-based compensation to directors,

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employees and agents and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends on shares of the Series B Mandatory Convertible Preferred Stock (i) have not been declared and paid in full on any dividend payment date, or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable record date, no dividends may be declared or paid on any parity stock unless dividends are declared on the shares of Series B Mandatory Convertible Preferred Stock such that the respective amounts of such dividends declared on the shares of Series B Mandatory Convertible Preferred Stock and such parity stock shall bear the same ratio to each other as all accumulated dividends and all declared and unpaid dividends per share on the shares of Series B Mandatory Convertible Preferred Stock and such parity stock bear to each other; *provided, however*, that any unpaid dividends will continue to accumulate.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by our board of directors, or an authorized committee thereof, may be declared and paid on any securities, including our common stock, from time to time out of any funds legally available for such payment, and holders of the Series B Mandatory Convertible Preferred Stock shall not be entitled to participate in any such dividends.

Method of Payment of Dividends

Subject to the limitations described below, we may pay any declared dividend (or any portion of any declared dividend) on the shares of Series B Mandatory Convertible Preferred Stock (whether for a current dividend period or any prior dividend period, including in connection with the payment of declared and unpaid dividends pursuant to the provisions described in Mandatory Conversion and Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount), determined in our sole discretion:

in cash;

by delivery of shares of our common stock; or

by delivery of any combination of cash and shares of our common stock.

We will make each payment of a declared dividend on the shares of Series B Mandatory Convertible Preferred Stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the Series B Mandatory Convertible Preferred Stock notice of any such election and the portions of such payment that will be made in cash and in shares of our common stock no later than 10 scheduled trading days (as defined below) prior to the dividend payment date for such dividend; *provided, however*, that if we do not provide timely notice of this election, we will be deemed to have elected to pay the relevant dividend in cash.

If we elect to make any such payment of a declared dividend, or any portion thereof, in shares of our common stock, such shares will be valued for such purpose at 97% of the average VWAP (as defined below) per share of our common stock over the five consecutive trading day (as defined below) period beginning on, and including, the sixth scheduled trading day (as defined below) prior to the applicable dividend payment date (such average, the average price).

No fractional shares of our common stock will be delivered to the holders of the Series B Mandatory Convertible Preferred Stock in payment or partial payment of a dividend. We will instead, to the extent we are legally permitted to do so, pay a cash amount to each holder that would otherwise be entitled to receive a fraction of a share of our common stock based on the average price with respect to such dividend.

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of, or for resales of, shares of our common stock issued as payment of a dividend on the shares of Series

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B Mandatory Convertible Preferred Stock, including dividends paid in connection with a conversion, we will, to the extent such a shelf registration statement is not currently filed and effective, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares would be freely tradable without registration by holders thereof that are not (and were not at any time during the preceding three months) affiliates of ours for purposes of the Securities Act of 1933, as amended, and the rules and regulations thereunder. To the extent applicable, we will also use our commercially reasonable efforts to have the shares of our common stock qualified or registered under applicable U.S. state securities laws, if required, and approved for listing on the NYSE (or if our common stock is not listed on the NYSE, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Notwithstanding the foregoing, in no event will the number of shares of our common stock to be delivered per share of the Series B Mandatory Convertible Preferred Stock in connection with any declared dividend, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment per share of the Series B Mandatory Convertible Preferred Stock divided by the floor price (as defined below). The floor price means \$39.8125 (which is 35% of the initial price (as defined below) in effect at the time the Series B Mandatory Convertible Preferred Stock is initially issued), subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each fixed conversion rate as set forth below in Anti-Dilution Adjustments. To the extent that the amount of any declared dividend exceeds the product of (x) the number of shares of our common stock delivered in connection with such dividend and (y) 97% of the average price applicable to such dividend, we will, if we are legally able to do so, pay such excess amount in cash.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, winding-up or dissolution, each holder of the Series B Mandatory Convertible Preferred Stock will be entitled to receive a liquidation preference in the amount of \$100.00 per share of the Series B Mandatory Convertible Preferred Stock (the Series B liquidation preference), plus an amount (the Series B liquidation dividend amount) equal to accumulated and unpaid dividends on such shares to, but excluding, the date fixed for liquidation, winding-up or dissolution to be paid out of our assets legally available for distribution to our shareholders, after satisfaction of debt and other liabilities owed to our creditors and holders of shares of any senior stock and before any payment or distribution is made to holders of junior stock (including our common stock). If, upon our voluntary or involuntary liquidation, winding-up or dissolution, the amounts payable with respect to (1) the liquidation preference plus the liquidation dividend amount on the shares of Series B Mandatory Convertible Preferred Stock and (2) the liquidation preference of, and the amount of accumulated and unpaid dividends (to, but excluding, the date fixed for liquidation, winding-up or dissolution) on, all other parity stock are not paid in full, the holders of the Series B Mandatory Convertible Preferred Stock and all holders of any such other parity stock will share equally and ratably in any distribution of our assets in proportion to their liquidation preference and amounts equal to accumulated and unpaid dividends to which they are entitled. After payment to any holder of Series B Mandatory Convertible Preferred Stock of the full amount of the liquidation preference and the liquidation dividend amount for such holder's shares of Series B Mandatory Convertible Preferred Stock, such holder of the Series B Mandatory Convertible Preferred Stock will have no right or claim to any of our remaining assets. See General and Risk Factors Risks Related to the Series B Mandatory Convertible Preferred Stock and Common Stock. The Series B Mandatory Convertible Preferred Stock will rank junior to all of our consolidated liabilities.

Neither the sale, lease or exchange of all or substantially all of our assets, nor our merger or consolidation into or with any other person, will be deemed to be our voluntary or involuntary liquidation, winding-up or dissolution.

Our Charter, including the Series B Certificate of Determination for the Series B Mandatory Convertible Preferred Stock, does not contain any provision requiring funds to be set aside to protect the liquidation preference of the Series B Mandatory Convertible Preferred Stock.

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Table of Contents**Voting Rights**

The holders of the Series B Mandatory Convertible Preferred Stock will not have any voting rights, except as described below and as specifically required by California law from time to time.

Whenever dividends on any shares of the Series B Mandatory Convertible Preferred Stock (i) have not been declared and paid, or (ii) have been declared but a sum of cash or number of shares of our common stock sufficient for payment thereof has not been set aside for the benefit of the holders thereof on the applicable record date, for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods (as used in this section, a nonpayment), the authorized number of directors on our board of directors will, at the next annual meeting of shareholders or at a special meeting of shareholders as provided below, automatically be increased by two and the holders of the Series B Mandatory Convertible Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock (as defined below) then outstanding, will be entitled, at our next annual meeting or at a special meeting of shareholders, if any, to fill such newly created directorships by electing two additional directors (the preferred stock directors); *provided, however*, that the election of any such directors will not cause us to violate the corporate governance requirements of the NYSE (or any other exchange or automated quotation system on which our securities may be listed or quoted) for listed or quoted companies to have a majority of independent directors; and *provided, further*, that our board of directors shall, at no time, include more than two preferred stock directors. In the event of a nonpayment, the holders of record of at least 25% of the shares of the Series B Mandatory Convertible Preferred Stock and any other series of voting preferred stock may request that a special meeting of shareholders be called to elect such preferred stock directors (*provided, however*, that if our next annual or a special meeting of shareholders is scheduled to be held within 90 days of the receipt of such request, the election of such preferred stock directors, to the extent otherwise permitted by our bylaws, will, instead, be included in the agenda for and will be held at such scheduled annual or special meeting of shareholders). The preferred stock directors will stand for reelection annually, and at each subsequent annual meeting of the shareholders, so long as the holders of the Series B Mandatory Convertible Preferred Stock continue to have such voting rights.

At any meeting at which the holders of the Series B Mandatory Convertible Preferred Stock are entitled to elect preferred stock directors, the holders of record of a majority of the then outstanding shares of the Series B Mandatory Convertible Preferred Stock and all other series of voting preferred stock, present in person or represented by proxy, will constitute a quorum and the vote of the holders of a majority of such shares of the Series B Mandatory Convertible Preferred Stock and other voting preferred stock so present or represented by proxy at any such meeting at which there shall be a quorum shall be sufficient to elect the preferred stock directors.

As used in this section, voting preferred stock means any series of our preferred stock, other than the Series B Mandatory Convertible Preferred Stock, ranking equally with the Series B Mandatory Convertible Preferred Stock either as to dividends or to the distribution of assets upon liquidation, dissolution or winding-up and upon which like voting rights for the election of directors have been conferred and are exercisable. Whether a plurality, majority or other portion in voting power of the Series B Mandatory Convertible Preferred Stock and any other voting preferred stock have been voted in favor of any matter shall be determined by reference to the respective liquidation preference amounts of the Series B Mandatory Convertible Preferred Stock and such other voting preferred stock voted. Our Series A Mandatory Convertible Preferred Stock will constitute voting preferred stock so long as the right of holders of our Series A Mandatory Convertible Preferred Stock to vote in the election of preferred stock directors is exercisable. For the avoidance of any doubt, holders of any voting preferred stock, including any outstanding Series A Mandatory Convertible Preferred Stock and Series B Mandatory Convertible Preferred Stock, will collectively have the right, but only under the circumstances described above, to collectively elect no more than two preferred stock directors.

If and when all accumulated and unpaid dividends on the Series B Mandatory Convertible Preferred Stock have been paid in full (as used in this section, a nonpayment remedy), the holders of the Series B Mandatory

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Convertible Preferred Stock shall immediately and, without any further action by us, be divested of the foregoing voting rights, subject to the revesting of such rights in the event of each subsequent nonpayment. If such voting rights for the holders of the Series B Mandatory Convertible Preferred Stock and all other holders of voting preferred stock have terminated, the term of office of each preferred stock director so elected will terminate at such time and the authorized number of directors on our board of directors shall automatically decrease by two.

Any preferred stock director may be removed at any time, with cause as provided by law or without cause by the holders of record of a majority in voting power of the outstanding shares of the Series B Mandatory Convertible Preferred Stock and any other series of voting preferred stock then outstanding (voting together as a single class) when they have the voting rights described above. In the event that a nonpayment shall have occurred and there shall not have been a nonpayment remedy, any vacancy in the office of a preferred stock director (other than prior to the initial election of preferred stock directors after a nonpayment) may be filled by the written consent of the preferred stock director remaining in office or, if none remains in office, by a vote of the holders of record of a majority in voting power of the outstanding shares of the Series B Mandatory Convertible Preferred Stock and any other series of voting preferred stock then outstanding (voting together as a single class) when they have the voting rights described above; provided, however, that the filling of each vacancy will not cause us to violate the corporate governance requirements of the NYSE (or any other exchange or automated quotation system on which our securities may be listed or quoted) for listed or quoted companies to have a majority of independent directors. The preferred stock directors will each be entitled to one vote per director on any matter that comes before our board of directors for a vote.

So long as any shares of the Series B Mandatory Convertible Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of the Series B Mandatory Convertible Preferred Stock and all other series of voting preferred stock at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing or by vote at an annual or special meeting of such shareholders:

- (1) amend or alter the provisions of our Charter or the Series B Certificate of Determination for the Series B Mandatory Convertible Preferred Stock so as to authorize or create, or increase the authorized amount of, any class or series of senior stock; or
- (2) amend, alter or repeal any provision of our Charter or the Series B Certificate of Determination for the Series B Mandatory Convertible Preferred Stock so as to adversely affect the special rights, preferences, privileges or voting powers of the Series B Mandatory Convertible Preferred Stock; or
- (3) consummate a binding share exchange or reclassification involving the shares of the Series B Mandatory Convertible Preferred Stock, or a merger or consolidation of us with another entity, unless in each case:
 - (i) the shares of the Series B Mandatory Convertible Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity (or the Series B Mandatory Convertible Preferred Stock is otherwise exchanged or reclassified), are converted or reclassified into or exchanged for preferred stock of the surviving or resulting entity or its ultimate parent; and
 - (ii) the shares of the Series B Mandatory Convertible Preferred Stock that remain outstanding or such shares of preferred stock, as the case may be, have rights, preferences, privileges and voting powers that, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences,

privileges and voting powers, taken as a whole, of the Series B Mandatory Convertible Preferred Stock immediately prior to the consummation of such transaction;
provided, however, that (1) any increase in the amount of our authorized but unissued shares of our preferred stock, (2) any increase in the amount of our authorized Series B Mandatory Convertible Preferred Stock or the issuance of any additional shares of the Series B Mandatory Convertible Preferred Stock or (3) the authorization or creation of any class or series of parity or junior stock, any increase in the amount of authorized but unissued shares of such class or series of parity or junior stock or the issuance of any shares of such class or series of

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parity or junior stock will be deemed not to adversely affect (or to otherwise cause to be materially less favorable) the rights, preferences, privileges or voting powers of the Series B Mandatory Convertible Preferred Stock and shall not require the affirmative vote of holders of the Series B Mandatory Convertible Preferred Stock. Our Charter and California law permits us, without the approval of any of our shareholders (including any holders of the Series B Mandatory Convertible Preferred Stock), to establish and issue a new series of preferred stock ranking equal with or junior to the Series B Mandatory Convertible Preferred Stock, which may dilute the voting and other interests of holders of the Series B Mandatory Convertible Preferred Stock. See Description of Capital Stock Preferred Stock in the accompanying prospectus.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would adversely affect one or more but not all series of voting preferred stock, then only the series of voting preferred stock adversely affected and entitled to vote shall vote as a class in lieu of all other series of voting preferred stock.

Without the consent of the holders of the Series B Mandatory Convertible Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the Series B Mandatory Convertible Preferred Stock, and limitations and restrictions thereof, we may amend, alter, supplement or repeal any terms of the Series B Mandatory Convertible Preferred Stock for the following purposes:

to cure any ambiguity or mistake, or to correct or supplement any provision contained in the Series B Certificate of Determination establishing the terms of the Series B Mandatory Convertible Preferred Stock that may be defective or inconsistent with any other provision contained in such Series B Certificate of Determination;

to make any provision with respect to matters or questions relating to the Series B Mandatory Convertible Preferred Stock that is not inconsistent with the provisions of our Charter or the Series B Certificate of Determination establishing the terms of the Series B Mandatory Convertible Preferred Stock; or

to waive any of our rights with respect thereto.

In addition, without the consent of the holders of the Series B Mandatory Convertible Preferred Stock, we may amend, alter, supplement or repeal any terms of the Series B Mandatory Convertible Preferred Stock in order to conform the terms thereof to the description of the terms of the Series B Mandatory Convertible Preferred Stock set forth under Description of Series B Mandatory Convertible Preferred Stock in this preliminary prospectus supplement relating to this offering, as supplemented by any related pricing term sheet.

Mandatory Conversion

Each share of the Series B Mandatory Convertible Preferred Stock, unless previously converted, will automatically convert on the mandatory conversion date, into a number of shares of our common stock equal to the conversion rate described below. If we declare a dividend on the Series B Mandatory Convertible Preferred Stock for the dividend period ending on July 15, 2021, we will pay such dividend to the holders of record as of the close of business on the immediately preceding record date, as described above under Dividends. If, on or prior to July 1, 2021 we have not declared all or any portion of the accumulated dividends on the Series B Mandatory Convertible Preferred Stock, the conversion rate will be increased by a number of shares of our common stock equal to the amount of such undeclared, accumulated and unpaid dividends per share of Series B Mandatory Convertible Preferred Stock (the additional

conversion amount) divided by the greater of the floor price and 97% of the average price. To the extent that the additional conversion amount per share of Series B Mandatory Convertible Preferred Stock exceeds the product of such number of additional shares and 97% of the average price, we will, if we are legally able to do so, declare and pay such excess amount in cash pro rata per share to the holders of the Series B Mandatory Convertible Preferred Stock.

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The conversion rate, which is the number of shares of our common stock issuable upon conversion of each share of the Series B Mandatory Convertible Preferred Stock on the mandatory conversion date, will, subject to adjustment as described above for any additional conversion amount or as described in Anti-Dilution Adjustments below, be as follows:

if the applicable market value (as defined below) of our common stock is greater than \$136.50 (the threshold appreciation price, which represents a 20% appreciation over the initial price, and which is subject to adjustment as described below under the caption Anti-Dilution Adjustments), then the conversion rate will be 0.7326 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock (the minimum conversion rate, subject to adjustment as described below under the caption Anti-Dilution Adjustments), which is approximately equal to \$100.00 divided by the threshold appreciation price;

if the applicable market value of our common stock is less than or equal to the threshold appreciation price but greater than or equal to \$113.75 (the initial price, which equals the per share public offering price of our common stock in our concurrent Common Stock Offering, and which is subject to adjustment as described below under the caption Anti-Dilution Adjustments), then the conversion rate will be equal to \$100.00 divided by the applicable market value of our common stock, which will be between 0.7326 and 0.8791 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock; or

if the applicable market value of our common stock is less than the initial price, then the conversion rate will be 0.8791 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock (the maximum conversion rate, subject to adjustment as described below under the caption Anti-Dilution Adjustments), which is approximately equal to \$100.00 divided by the initial price. For the avoidance of doubt, the conversion rate per share of the Series B Mandatory Convertible Preferred Stock will in no event exceed the maximum conversion rate, subject to adjustment as described under Anti-Dilution Adjustments below and exclusive of any amounts owing in respect of accrued and unpaid dividends paid at our election in shares of common stock.

We refer to the minimum conversion rate and the maximum conversion rate collectively as the fixed conversion rates. The fixed conversion rates, the initial price, the threshold appreciation price and the applicable market value are each subject to adjustment as described under Anti-Dilution Adjustments below.

Table of Contents**Hypothetical Conversion Values Upon Mandatory Conversion**

For illustrative purposes only, the following table shows the number of shares of our common stock that a holder of the Series B Mandatory Convertible Preferred Stock would receive upon mandatory conversion of one share of the Series B Mandatory Convertible Preferred Stock at various applicable market values for our common stock. The table assumes that there will be no conversion adjustments as described above for any additional conversion amount or as described below in **Anti-Dilution Adjustments** and that dividends on the Series B Mandatory Convertible Preferred Stock will be paid in cash and not in additional shares of our common stock. The actual applicable market value of our common stock may differ from those set forth in the table below. Given an initial price of \$113.75 and a threshold appreciation price of \$136.50, a holder of the Series B Mandatory Convertible Preferred Stock would receive on the mandatory conversion date the number of shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock set forth below, subject to the provisions described below with respect to any fractional share of our common stock:

Applicable market value of our common stock	Number of shares of our common stock to be received upon mandatory conversion	Conversion value (applicable market value multiplied by the number of shares of our common stock to be received upon mandatory conversion)
\$ 90.00	0.8791	\$ 79.12
\$ 100.00	0.8791	\$ 87.91
\$ 113.75	0.8791	\$ 100.00
\$ 120.00	0.8333	\$ 100.00
\$ 125.00	0.8000	\$ 100.00
\$ 130.00	0.7692	\$ 100.00
\$ 136.50	0.7326	\$ 100.00
\$ 150.00	0.7326	\$ 109.89
\$ 175.00	0.7326	\$ 128.21
\$ 200.00	0.7326	\$ 146.52

Accordingly, if the applicable market value of our common stock is greater than the threshold appreciation price, the aggregate market value of our common stock delivered upon conversion of each share of the Series B Mandatory Convertible Preferred Stock will be greater than the \$100.00 liquidation preference of a share of the Series B Mandatory Convertible Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock. If the applicable market value for our common stock is equal to or greater than the initial price and equal to or less than the threshold appreciation price, the aggregate market value of our common stock delivered upon conversion of each share of the Series B Mandatory Convertible Preferred Stock will be equal to the \$100.00 liquidation preference of a share of the Series B Mandatory Convertible Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock. If the applicable market value of our common stock is less than the initial price, the aggregate market value of our common stock delivered upon conversion of each share of the Series B Mandatory Convertible Preferred Stock will be less than the \$100.00 liquidation preference of a share of the Series B Mandatory Convertible Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock.

Definitions

Applicable market value means the average VWAP per share of our common stock over the settlement period (as defined below).

The term close of business means 5:00 p.m., New York City time.

Mandatory conversion date means the second business day immediately following the last trading day of the settlement period. The mandatory conversion date is expected to be July 15, 2021.

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The term **open of business** means 9:00 a.m., New York City time.

Settlement period means the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately preceding July 15, 2021.

A **trading day** is a day on which our common stock:

is not suspended from trading, and on which trading in our common stock is not limited, on the NYSE (or, if our common stock is not then listed on the NYSE, on the principal U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then traded) (the **applicable market**), during any period or periods aggregating one half-hour or longer; and

has traded at least once on the applicable market;
provided, however, that if our common stock is not traded on any such exchange, association or market, **trading day** means any business day.

A **scheduled trading day** is any day that is scheduled to be a trading day.

VWAP per share of our common stock on any trading day means the per share volume-weighted average price as displayed on Bloomberg page **SRE <EQUITY>AQR** (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, **VWAP** means the market value per share of our common stock on such trading day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by us for this purpose, which may include any of the underwriters for this offering. The **average VWAP** means the average of the VWAPs for each trading day in the relevant period.

Conversion at the Option of the Holder

Other than during a fundamental change conversion period (as defined below under **Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount**), holders of the Series B Mandatory Convertible Preferred Stock will have the option to convert their Series B Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of the Series B Mandatory Convertible Preferred Stock), at any time prior to July 15, 2021, into shares of our common stock at the minimum conversion rate of 0.7326 shares of our common stock per share of the Series B Mandatory Convertible Preferred Stock, subject to adjustment as described under **Anti-Dilution Adjustments** below.

If, as of the effective date of any early conversion (the **early conversion date**), we have not declared all or any portion of the accumulated dividends for all dividend periods ending on a dividend payment date prior to such early conversion date, the conversion rate for such early conversion will be increased by a number of shares of our common stock equal to the amount of such undeclared, accumulated and unpaid dividends per share of Series B Mandatory Convertible Preferred Stock (the **early conversion additional amount**) for such prior dividend periods, divided by the greater of the floor price and the average VWAP per share of our common stock over the 20 consecutive trading day period (the **early conversion settlement period**) commencing on, and including, the 21st scheduled trading day immediately preceding the early conversion date (the **early conversion average price**). Notwithstanding the last

sentence under Method of Payment of Dividends above, to the extent that the early conversion additional amount exceeds the product of such number of additional shares and the early conversion average price, we will not have any obligation to pay the shortfall in cash.

Except as described above, upon any optional conversion of any Series B Mandatory Convertible Preferred Stock, we will make no payment or allowance for unpaid dividends on such shares of the Series B Mandatory

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Convertible Preferred Stock, unless such early conversion date occurs after the record date for a declared dividend and on or prior to the immediately succeeding dividend payment date, in which case such dividend will be paid on such dividend payment date to the holder of record of the converted shares of the Series B Mandatory Convertible Preferred Stock as of such record date, as described in the section above entitled Dividends.

Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount

General

If a fundamental change (as defined below) occurs on or prior to July 15, 2021, holders of the Series B Mandatory Convertible Preferred Stock will have the right to:

- (i) convert their shares of Series B Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of the Series B Mandatory Convertible Preferred Stock), into a number of shares of common stock equal to the fundamental change conversion rate per share of Series B Mandatory Convertible Preferred Stock described below;
- (ii) with respect to such converted shares, receive a fundamental change dividend make-whole amount (as defined below) payable in cash or shares of our common stock; and
- (iii) with respect to such converted shares, receive the accumulated dividend amount (as defined below) payable in cash or shares of our common stock,

subject, in the case of clauses (ii) and (iii), to certain limitations with respect to the number of shares of our common stock that we will be required to deliver, all as described below. Notwithstanding clauses (ii) and (iii) above, if the effective date of a fundamental change falls during a dividend period for which we have declared a dividend, we will pay such dividend on the relevant dividend payment date to the holders of record at the close of business on the immediately preceding record date, as described in Dividends, and the accumulated dividend amount will not include the amount of such dividend, and the fundamental change dividend make-whole amount will not include the present value of such dividend.

To exercise this right, holders must submit their Series B Mandatory Convertible Preferred Stock for conversion at any time during the period (the fundamental change conversion period) beginning on the effective date of such fundamental change (as defined below) and ending at the close of business on the date that is 20 calendar days after the effective date (or, if earlier, July 15, 2021) at the conversion rate specified in the table below (the fundamental change conversion rate). Holders of the Series B Mandatory Convertible Preferred Stock who do not submit their shares for conversion during the fundamental change conversion period will not be entitled to convert their Series B Mandatory Convertible Preferred Stock at the relevant fundamental change conversion rate or to receive the relevant fundamental change dividend make-whole amount or the relevant accumulated dividend amount.

We will notify holders of the effective date of a fundamental change no later than the second business day following such effective date. If we notify holders of a fundamental change later than the second business day following the effective date, the fundamental change conversion period will be extended by a number of days equal to the number of days from, and including, such effective date to, but excluding, the date of the notice; *provided, however*, that the

fundamental change conversion period will not be extended beyond July 15, 2021.

A fundamental change will be deemed to have occurred, at such time after the initial issue date of the Series B Mandatory Convertible Preferred Stock, upon: (i) the consummation of any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, recapitalization or otherwise) in connection with which 90% or more of our common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration 10% or more of which (excluding cash payments for fractional shares or pursuant to appraisal rights) is not common stock that is listed

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on, or immediately after the transaction or event will be listed on, any of the NYSE, the Nasdaq Global Select Market or the Nasdaq Global Market; (ii) any person or group (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the Exchange Act)), whether or not applicable), other than us, any of our majority-owned subsidiaries or any of our or our majority-owned subsidiaries employee benefit plans, filing a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock then outstanding entitled to vote generally in elections of our directors or we otherwise become aware of such beneficial ownership; or (iii) our common stock ceasing to be listed for trading on the NYSE, the Nasdaq Global Select Market or the Nasdaq Global Market (or any of their respective successors) or another U.S. national securities exchange. For the purposes of this definition of fundamental change, any transaction or event that constitutes a fundamental change under both clause (i) and clause (ii) above will be deemed to constitute a fundamental change solely under clause (i) of this definition of fundamental change.

Fundamental Change Conversion Rate

The fundamental change conversion rate will be determined by reference to the table below and is based on the effective date of the fundamental change (the effective date) and the price (the share price) paid or deemed paid per share of our common stock therein. If the holders of our common stock receive only cash in the fundamental change, the share price shall be the cash amount paid per share. Otherwise, the share price shall be the average VWAP per share of our common stock over the 10 consecutive trading day period ending on, and including, the trading day preceding the effective date.

The share prices set forth in the first row of the table (*i.e.*, the column headers) will be adjusted as of any date on which the fixed conversion rates of the Series B Mandatory Convertible Preferred Stock are adjusted. The adjusted share prices will equal the share prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the minimum conversion rate immediately prior to the adjustment giving rise to the share price adjustment and the denominator of which is the minimum conversion rate as so adjusted. Each of the fundamental change conversion rates in the table will be subject to adjustment in the same manner as each fixed conversion rate as set forth in Anti-Dilution Adjustments.

The following table sets forth the fundamental change conversion rate per share of the Series B Mandatory Convertible Preferred Stock for each share price and effective date set forth below.

Effective Date	Share Price												
	\$30.00	\$70.00	\$100.00	\$113.75	\$120.00	\$125.00	\$130.00	\$136.50	\$150.00	\$175.00	\$200.00	\$300.00	\$400.00
July 13, 2018	0.6174	0.7437	0.7284	0.7122	0.7057	0.7013	0.6975	0.6937	0.6892	0.6890	0.6930	0.7067	0.7400
July 15, 2019	0.6949	0.7891	0.7689	0.7459	0.7360	0.7290	0.7229	0.7164	0.7080	0.7044	0.7066	0.7153	0.7300
July 15, 2020	0.7816	0.8349	0.8182	0.7870	0.7715	0.7600	0.7497	0.7388	0.7249	0.7187	0.7196	0.7239	0.7300
July 15, 2021	0.8791	0.8791	0.8791	0.8791	0.8333	0.8000	0.7692	0.7326	0.7326	0.7326	0.7326	0.7326	0.7300

The exact share price and effective date may not be set forth in the table, in which case:

if the share price is between two share price amounts on the table or the effective date is between two effective dates on the table, the fundamental change conversion rate will be determined by straight-line

interpolation between the fundamental change conversion rates set forth for the higher and lower share price amounts and the earlier and later effective dates, as applicable, based on a 365- or 366-day year, as applicable;

if the share price is in excess of \$400.00 per share (subject to adjustment in the same manner as the share prices set forth in the first row of the table above), then the fundamental change conversion rate will be the minimum conversion rate; and

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if the share price is less than \$30.00 per share (subject to adjustment as described above), then the fundamental change conversion rate will be the maximum conversion rate.

Fundamental Change Dividend Make-Whole Amount and Accumulated Dividend Amount

For any shares of the Series B Mandatory Convertible Preferred Stock that are converted during the fundamental change conversion period, in addition to the common stock issued upon conversion at the fundamental change conversion rate, we will, at our option:

- (a) pay you in cash, to the extent we are legally permitted to do so, an amount equal to the present value, calculated using a discount rate of 6.75% per annum, of all scheduled dividend payments (excluding any accumulated dividend amount, and subject to the second sentence under General above) on the Series B Mandatory Convertible Preferred Stock for all remaining dividend periods (including any partial dividend period) from, and including, the effective date of the applicable fundamental change to, but excluding, the mandatory conversion date (the fundamental change dividend make-whole amount);
- (b) increase the number of shares of our common stock to be issued upon conversion by a number equal to (x) the fundamental change dividend make-whole amount divided by (y) the greater of the floor price and 97% of the share price; or
- (c) pay the fundamental change dividend make-whole amount through any combination of cash and shares of our common stock in accordance with the provisions of clauses (a) and (b) above.

As used herein, the term accumulated dividend amount means, with respect to any fundamental change, the aggregate amount of undeclared, accumulated and unpaid dividends, if any, as of the effective date of the relevant fundamental change, for all dividend periods prior to such effective date, including for the partial dividend period, if any, from, and including, the dividend payment date immediately preceding such effective date to, but excluding, such effective date. For the avoidance of doubt, (i) if the effective date of a fundamental change falls during a dividend period for which we have declared a dividend, we will pay such dividend on the relevant dividend payment date to the holders of record at the close of business on the immediately preceding record date, as described in Dividends, and the accumulated dividend amount will not include the amount of such dividend; and (ii) any undeclared, accumulated and unpaid dividends, if any, as of the effective date of the relevant fundamental change will be part of the accumulated dividend amount.

The accumulated dividend amount will be payable at our option:

in cash, to the extent we are legally permitted to do so;

in an additional number of shares of our common stock equal to (x) the accumulated dividend amount divided by (y) the greater of the floor price and 97% of the share price; or

in a combination of cash and shares of our common stock in accordance with the provisions of the preceding two bullets.

We will pay the fundamental change dividend make-whole amount and the accumulated dividend amount in cash, except to the extent we elect on or prior to the second business day following the effective date of a fundamental change to make all or any portion of such payments in our common stock. In addition, if we elect to deliver common stock in respect of all or any portion of the fundamental change dividend make-whole amount or the accumulated dividend amount, to the extent that the portion of the fundamental change dividend make-whole amount or the accumulated dividend amount paid in common stock exceeds the product of the number of additional shares we deliver in respect thereof and 97% of the share price, we will, if we are legally able to do so, pay such excess amount in cash. Any such payment in cash may not be permitted by our then existing debt instruments, including any restricted payments covenants.

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No fractional shares of our common stock will be delivered to converting holders of the Series B Mandatory Convertible Preferred Stock in respect of the fundamental change dividend make-whole amount or the accumulated dividend amount. We will instead pay a cash amount to each converting holder that would otherwise be entitled to receive a fraction of a share of our common stock based on the average VWAP per share of our common stock over the five consecutive trading day period ending on, and including, the sixth scheduled trading day immediately preceding the conversion date.

Not later than the second business day following the effective date of a fundamental change, we will notify holders of:

the fundamental change conversion rate;

the fundamental change dividend make-whole amount and whether we will pay such amount in cash, shares of our common stock or a combination thereof, specifying the combination, if applicable; and

the accumulated dividend amount as of the effective date of the fundamental change and whether we will pay such amount in cash, shares of our common stock or a combination thereof, specifying the combination, if applicable.

Our obligation to adjust the conversion rate in connection with a fundamental change and pay the fundamental change dividend make-whole amount (whether in cash, our common stock or any combination thereof) could possibly be considered a penalty under state law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies and therefore may not be enforceable in whole or in part.

Conversion Procedures

Upon Mandatory Conversion

Any outstanding shares of Series B Mandatory Convertible Preferred Stock will automatically convert into shares of common stock on the mandatory conversion date. The person or persons entitled to receive the shares of our common stock issuable upon mandatory conversion of the Series B Mandatory Convertible Preferred Stock will be treated as the record holder(s) of such shares as of the close of business on the mandatory conversion date. Except as provided in

Anti-Dilution Adjustments, prior to the close of business on the mandatory conversion date, the common stock issuable upon conversion of the Series B Mandatory Convertible Preferred Stock will not be outstanding for any purpose and you will have no rights with respect to such common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Series B Mandatory Convertible Preferred Stock.

Upon Early Conversion

If you elect to convert the Series B Mandatory Convertible Preferred Stock prior to the mandatory conversion date, in the manner described in *Conversion at the Option of the Holder* or *Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount*, you must observe the following conversion procedures:

If shares of the Series B Mandatory Convertible Preferred Stock are in global form, to convert the Series B Mandatory Convertible Preferred Stock you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program. If shares of the Series B Mandatory Convertible Preferred Stock are held in certificated form, you must comply with certain procedures set forth in the Series B Certificate of Determination for the Series B Mandatory Convertible Preferred Stock. In either case, if required, you must pay all transfer or similar taxes or duties, if any.

The conversion date will be the date on which you have satisfied the foregoing requirements. You will not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of our common stock

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if you exercise your conversion rights, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own. Common stock will be issued and delivered to the converting holder, or, if the Series B Mandatory Convertible Preferred Stock being converted is in global form, the shares of common stock issuable upon conversion shall be delivered through the facilities of DTC, in each case together with delivery by us to the converting holder of any cash to which the converting holder is entitled, only after all applicable taxes and duties, if any, payable by you have been paid in full, and such shares and cash will be delivered on the latest of (i) the second business day immediately succeeding the conversion date, (ii) if applicable, the second business day immediately succeeding the last day of the early conversion settlement period and (iii) the business day after you have paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the shares of common stock issuable upon conversion of the Series B Mandatory Convertible Preferred Stock will be treated as the record holder(s) of such shares as of the close of business on the applicable conversion date. Prior to the close of business on the applicable conversion date, the shares of common stock issuable upon conversion of any shares of the Series B Mandatory Convertible Preferred Stock will not be deemed to be outstanding for any purpose, and you will have no rights with respect to such common stock, including voting rights, rights to respond to tender offers for the common stock and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Series B Mandatory Convertible Preferred Stock.

Fractional Shares

No fractional shares of our common stock will be issued to holders of the Series B Mandatory Convertible Preferred Stock upon conversion. In lieu of any fractional shares of our common stock otherwise issuable in respect of the aggregate number of shares of the Series B Mandatory Convertible Preferred Stock that are converted, cash will be paid in an amount (computed to the nearest cent) equal to the product of: (i) that same fraction; and (ii) the average VWAP of our common stock over the five consecutive trading day period beginning on, and including, the sixth scheduled trading day immediately preceding the applicable conversion date. If the conversion date occurs on or prior to the last trading day of such five consecutive trading day period, the cash payment shall be deferred until the second business day immediately following the last trading day of such five consecutive trading day period.

Subject to any applicable rules and procedures of DTC, if more than one share of the Series B Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same holder, the number of full shares of our common stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series B Mandatory Convertible Preferred Stock so surrendered.

Anti-Dilution Adjustments

Each fixed conversion rate will be adjusted only under the following enumerated circumstances:

- (1) We issue shares of common stock to all holders of our common stock as a dividend or other distribution, in which event, each fixed conversion rate in effect at the close of business on the date fixed for determination of the holders of our common stock entitled to receive such dividend or other distribution will be divided by a fraction:

the numerator of which is the number of shares of our common stock outstanding at the close of business on the date fixed for such determination, without giving effect to such dividend, distribution,

stock split or stock combination; and

the denominator of which is the sum of the number of shares of our common stock outstanding at the close of business on the date fixed for such determination and the total number of shares of our common stock constituting such dividend or other distribution.

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Any adjustment made pursuant to this clause (1) will become effective immediately after the close of business on the date fixed for such determination. If any dividend or distribution described in this clause (1) is declared but not so paid or made, each fixed conversion rate shall be readjusted, effective as of the date our board of directors, or an authorized committee thereof, publicly announces its decision not to pay or make such dividend or distribution, to such fixed conversion rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this clause (1), the number of shares of our common stock outstanding at the close of business on the date fixed for such determination shall not include shares that we hold in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of our common stock. We will not pay any dividend or make any distribution on shares of our common stock that we hold in treasury.

- (2) We issue to all holders of shares of our common stock rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans or pursuant to a rights plan) entitling them, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase shares of our common stock at a price per share less than the current market price (as defined below) of our common stock, in which case each fixed conversion rate in effect at the close of business on the date fixed for determination of the holders of our common stock entitled to receive such rights or warrants will be increased by multiplying such fixed conversion rate by a fraction:

the numerator of which is the sum of (x) the number of shares of our common stock outstanding at the close of business on the date fixed for such determination and (y) the number of shares of our common stock issuable pursuant to such rights or warrants; and

the denominator of which is the sum of (x) the number of shares of our common stock outstanding at the close of business on the date fixed for such determination and (y) the number of shares of our common stock equal to the quotient of the aggregate offering price payable to exercise such rights or warrants divided by the current market price of our common stock.

Any adjustment made pursuant to this clause (2) will become effective immediately after the close of business on the date fixed for such determination. In the event that such rights or warrants described in this clause (2) are not so issued, each fixed conversion rate shall be readjusted, effective as of the date our board of directors, or an authorized committee thereof, publicly announces its decision not to issue such rights or warrants, to such fixed conversion rate that would then be in effect if such issuance had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or our common stock is otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, each fixed conversion rate shall be readjusted to such fixed conversion rate that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of our common stock actually delivered. In determining whether any rights or warrants entitle the holders thereof to subscribe for or purchase common stock at less than the current market price, and in determining the aggregate offering price payable to exercise such rights or warrants, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in good faith by our board of directors, or an authorized committee thereof, which determination shall be final, conclusive and binding). For the purposes of this clause (2), the number of shares of our common stock at the time outstanding shall not include shares that we hold in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of our common stock. We will not issue any such rights or warrants in respect of shares of our common stock that we hold in treasury.

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- (3) We subdivide or combine our common stock, in which event each fixed conversion rate in effect at the close of business on the effective date of such subdivision or combination shall be multiplied by a fraction:

the numerator of which is the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination; and

the denominator of which is the number of shares of our common stock outstanding immediately prior to such subdivision or combination.

Any adjustment made pursuant to this clause (3) shall become effective immediately after the close of business on the effective date of such subdivision or combination.

- (4) We distribute to all holders of our common stock evidences of our indebtedness, shares of our capital stock, securities, rights to acquire shares of our capital stock, cash or other assets, excluding:

any dividend or distribution of shares of common stock described in clause (1) above;

any rights or warrants described in clause (2) above;

any dividend or distribution described in clause (5) below; and

any spin-off, as to which the provisions set forth below in this clause (4) shall apply, in which event each fixed conversion rate in effect at the close of business on the date fixed for the determination of holders of our common stock entitled to receive such distribution will be multiplied by a fraction:

the numerator of which is the current market price of our common stock; and

the denominator of which is the current market price of our common stock minus the fair market value, as determined by our board of directors, or an authorized committee thereof, in good faith (which determination shall be final, conclusive and binding), on such date fixed for determination, of the portion of the evidences of indebtedness, shares of our capital stock, securities, rights to acquire shares of our capital stock, cash or other assets so distributed applicable to one share of our common stock.

To the extent such distribution is not so paid or made, each fixed conversion rate will be readjusted to the fixed conversion rate that would then be in effect had the adjustment been made on the basis of only the distribution, if any, actually made or paid.

In the event that we make a distribution to all holders of our common stock consisting of capital stock of, or similar equity interests in, or relating to a subsidiary or other business unit of ours (herein referred to as a spin-off), each fixed

conversion rate in effect at the close of business on the date fixed for the determination of holders of our common stock entitled to receive such distribution will be multiplied by a fraction:

the numerator of which is the sum of the current market price of our common stock and the fair market value, as determined by our board of directors, or an authorized committee thereof, in good faith (which determination shall be final, conclusive and binding), of the portion of those shares of capital stock or similar equity interests so distributed applicable to one share of our common stock (or, if such shares of capital stock or equity interests are listed on a U.S. national or regional securities exchange, the current market price of such capital stock or equity interests); and

the denominator of which is the current market price of our common stock.

Any adjustment made pursuant to this clause (4) shall become effective immediately after the close of business on the date fixed for the determination of the holders of our common stock entitled to receive such distribution. In the event that such distribution described in this clause (4) is not so made, each

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fixed conversion rate shall be readjusted, effective as of the date our board of directors, or an authorized committee thereof, publicly announces its decision not to make such distribution, to such fixed conversion rate that would then be in effect if such distribution had not been declared. If (x) an adjustment to each fixed conversion rate is required under this clause (4) during the settlement period, or (y) a holder submits shares of Series B Mandatory Convertible Preferred Stock for early conversion during the period commencing after the close of business on the determination date described above and prior to the time that the current market price of our common stock is determined for purposes of this clause (4), then in either case delivery of the shares of our common stock issuable upon conversion will be delayed until the second business day immediately after the first date as of which the calculations provided for in this clause (4) can be completed.

- (5) We pay or make a dividend or other distribution consisting exclusively of cash to all holders of our common stock other than a regular, quarterly cash dividend that does not exceed \$0.8950 per share (the dividend threshold, subject to adjustment as described below), excluding:

any cash that is distributed in a reorganization event (as described below);

any dividend or other distribution in connection with our voluntary or involuntary liquidation, dissolution or winding-up; and

any consideration payable as part of a tender or exchange offer, in which event, each fixed conversion rate in effect at the close of business on the date fixed for determination of the holders of our common stock entitled to receive such dividend or other distribution will be multiplied by a fraction:

the numerator of which is the current market price of our common stock minus the dividend threshold (*provided* that if the distribution is not a regular quarterly cash dividend, the dividend threshold will, for purposes of such distribution, be deemed to be zero); and

the denominator of which is the current market price of our common stock minus the amount per share of such dividend or other distribution.

The dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the fixed conversion rates pursuant to the provisions described under this Anti-Dilution Adjustments section; *provided, however*, that no adjustment will be made to the dividend threshold for any adjustment to the fixed conversion rates under this clause (5).

Any adjustment made pursuant to this clause (5) shall become effective immediately after the close of business on the date fixed for the determination of the holders of our common stock entitled to receive such dividend or other distribution. In the event that any dividend or other distribution described in this clause (5) is not so paid or so made, each fixed conversion rate shall be readjusted, effective as of the date our board of directors, or an authorized committee thereof, publicly announces its decision not to pay such dividend or make such other distribution, to such fixed conversion rate which would then be in effect if such dividend or other distribution had not been declared.

- (6) We or any of our subsidiaries successfully complete a tender or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for our outstanding common stock (excluding any securities convertible or exchangeable for our common stock), where the cash and the value of any other consideration included in the payment per share of our common stock exceeds the current market price of our common stock, in which event each fixed conversion rate in effect at the close of business on the date of expiration of the tender or exchange offer (the expiration date) will be multiplied by a fraction:

the numerator of which shall be equal to the sum of:

- (i) the aggregate cash and fair market value (as determined in good faith by our board of directors, or an authorized committee thereof, which determination shall be final, conclusive

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and binding), on the expiration date, of any other consideration paid or payable for shares of our common stock purchased in such tender or exchange offer; and

(ii) the product of:

1. the current market price of our common stock; and
2. the number of shares of our common stock outstanding at the time such tender or exchange offer expires, less any purchased shares; and

the denominator of which shall be equal to the product of:

(i) the current market price of our common stock; and

(ii) the number of shares of our common stock outstanding at the time such tender or exchange offer expires, including any purchased shares.

Any adjustment made pursuant to this clause (6) shall become effective immediately after the close of business on the 10th trading day immediately following the expiration date but will be given effect as of the open of business on the expiration date for the tender or exchange offer. In the event that we are, or one of our subsidiaries is, obligated to purchase shares of our common stock pursuant to any such tender offer or exchange offer, but we are, or such subsidiary is, permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each fixed conversion rate shall be readjusted to be such fixed conversion rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this clause (6) to any tender offer or exchange offer would result in a decrease in each fixed conversion rate, no adjustment shall be made for such tender offer or exchange offer under this clause (6). If (x) an adjustment to each fixed conversion rate is required pursuant to this clause (6) during the settlement period, or (y) a holder submits shares of Series B Mandatory Convertible Preferred Stock for early conversion during the period commencing after the open of business on the expiration date described above and prior to the time that the current market price of our common stock is determined for purposes of this clause (6), then in either case, delivery of the related conversion consideration will be delayed to the second business day immediately after the first date as of which the calculations provided for in this clause (6) can be completed.

Except with respect to a spin-off, in cases where the fair market value of the evidences of our indebtedness, shares of capital stock, securities, rights to acquire shares of our capital stock, cash or other assets as to which clauses (4) or (5) above apply, applicable to one share of our common stock, distributed to shareholders equals or exceeds the current market price (as determined for purposes of calculating the conversion rate adjustment pursuant to such clause (4) or (5)), rather than being entitled to an adjustment in each fixed conversion rate, holders of the Series B Mandatory Convertible Preferred Stock will be entitled to receive upon conversion, in addition to a number of shares of our common stock otherwise deliverable on the applicable conversion date, the kind and amount of the evidences of our indebtedness, shares of capital stock, securities, rights to acquire shares of our capital stock, cash or other assets comprising the distribution that such holder would have received if such holder had owned, immediately prior to the record date for determining the holders of our common stock entitled to receive the distribution, for each share of the

Series B Mandatory Convertible Preferred Stock, a number of shares of our common stock equal to the maximum conversion rate in effect on the date of such distribution.

To the extent that we have a rights plan in effect with respect to our common stock on any conversion date, upon conversion of any Series B Mandatory Convertible Preferred Stock, you will receive, in addition to common stock, the rights under the rights plan, unless, prior to such conversion date, the rights have separated from our common stock, in which case, and only in such case, each fixed conversion rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (4) above, subject to readjustment in the event of the expiration, termination or redemption of such rights. Notwithstanding anything to the contrary described in this

Anti-Dilution Adjustments section, the fixed

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conversion rates will not be adjusted on account of any rights issued pursuant to a rights plan, except to the extent provided in the preceding sentence. Any distribution of rights or warrants pursuant to a rights plan that would allow you to receive upon conversion, in addition to any shares of common stock, the rights described therein (unless such rights or warrants have separated from our common stock) shall not constitute a distribution of rights or warrants that would entitle you to an adjustment to the conversion rate. We currently do not have a rights plan in effect.

For the purposes of determining the adjustment to the fixed conversion rate for the purposes of:

clauses (2), (4) (but only in the event of an adjustment thereunder not relating to a spin-off) and (5) above, the current market price of our common stock is the average VWAP per share of our common stock over the five consecutive trading day period ending on the trading day immediately preceding the ex-date (as defined below) with respect to the issuance or distribution requiring such computation;

clause (4) above in the event of an adjustment thereunder relating to a spin-off, the current market price of our common stock and the capital stock or equity interests of the subsidiary or other business unit being distributed, as applicable, is the average VWAP per share of common stock, capital stock or equity interests of the subsidiary or other business unit being distributed, as applicable, over the first 10 consecutive trading days commencing on and including the fifth trading day following the effective date of such distribution; and

clause (6) above, the current market price of our common stock is the average VWAP per share of our common stock over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the expiration date of the relevant tender offer or exchange offer.

The term ex-date, when used with respect to any issuance or distribution, means the first date on which shares of our common stock trade, regular way, without the right to receive such issuance or distribution. For the avoidance of doubt, any alternative trading convention on the applicable exchange or market in respect of our common stock under a separate ticker symbol or CUSIP number will not be considered regular way for this purpose.

In addition, we may make such increases in each fixed conversion rate as we deem advisable in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares of our common stock (or issuance of rights or warrants to acquire shares of our common stock) or from any event treated as such for income tax purposes or for any other reason. We may only make such a discretionary adjustment if we make the same proportionate adjustment to each fixed conversion rate.

In the event of a taxable distribution to holders of our common stock that results in an adjustment of each fixed conversion rate or an increase in each fixed conversion rate in our discretion, holders of the Series B Mandatory Convertible Preferred Stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. Federal income tax as a dividend. See Material United States Federal Income Tax Considerations. Any applicable withholding taxes (including backup withholding) may be withheld from any distributions and payments and deliveries upon conversion with respect to the Series B Mandatory Convertible Preferred Stock.

All adjustments to each fixed conversion rate will be calculated to the nearest 1/10,000th of a share of our common stock. Prior to the first trading day of the settlement period, no adjustment in a fixed conversion rate will be required unless the adjustment would require an increase or decrease of at least one percent in such fixed conversion rate. If any adjustment is not required to be made because it would not change the fixed conversion rates by at least one

percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment; *provided, however,* that on (y) the earlier of any early conversion date and the effective date of any fundamental change and (z) each trading day of the settlement period, adjustments to each fixed conversion rate will be made with respect to any such adjustment carried forward that has not been taken into account before such date.

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No adjustment to the fixed conversion rates will be made if holders may participate, at the same time, upon the same terms and otherwise on the same basis as holders of our common stock and solely as a result of holding Series B Mandatory Convertible Preferred Stock, in the transaction that would otherwise give rise to such adjustment as if they held, for each share of the Series B Mandatory Convertible Preferred Stock, a number of shares of our common stock equal to the maximum conversion rate then in effect.

We will not be required to adjust either fixed conversion rate except as described above. Notwithstanding anything to the contrary described above, and without limiting the prior sentence, the fixed conversion rates will not be adjusted:

- (a) upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of common stock under any plan;
- (b) upon the issuance of any shares of our common stock or rights, warrants, options, units or other securities exercisable for the purchase of those shares pursuant to any present or future benefit or other incentive plan or program of or assumed by us or any of our subsidiaries;
- (c) upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the initial issue date;
- (d) for a change in the par value of our common stock;
- (e) for stock repurchases that are not tender offers, including structured or derivative transactions;
- (f) as a result of a tender offer solely to holders of fewer than 100 shares of our common stock;
- (g) as a result of a tender or exchange offer by a person other than us or one or more of our subsidiaries; or
- (h) for accumulated dividends on the Series B Mandatory Convertible Preferred Stock, except as described above under Mandatory Conversion, Conversion at the Option of the Holder and Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount.

We will be required, within 10 business days following the effectiveness of an adjustment to the fixed conversion rates, to provide, or cause to be provided, a written notice of such adjustment to the holders of the Series B Mandatory Convertible Preferred Stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to each fixed conversion rate was determined and setting forth such adjusted fixed conversion rate.

If an adjustment is made to the fixed conversion rates, (x) an inversely proportional adjustment also will be made to the threshold appreciation price and the initial price and (y) an inversely proportional adjustment will also be made to

the floor price. Whenever any provision of the Series B Certificate of Determination requires us to calculate the VWAP per share of our common stock over a span of multiple days, we will make appropriate adjustments (including, without limitation, to the applicable market value, the early conversion average price, the current market price and the average price (as the case may be)) to account for any adjustments to the initial price, the threshold appreciation price, the floor price and the fixed conversion rates (as the case may be) that become effective, or any event that would require such an adjustment if the ex-date, effective date or expiration date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

If:

the record date for a dividend or distribution on shares of our common stock occurs after the end of the settlement period and before the mandatory conversion date; and

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such dividend or distribution would have resulted in an adjustment of the number of shares of common stock issuable to the holders of the Series B Mandatory Convertible Preferred Stock had such record date occurred on or before the last trading day of the settlement period, then we will deem the holders of the Series B Mandatory Convertible Preferred Stock to be holders of record, for each share of their Series B Mandatory Convertible Preferred Stock, of a number of shares of our common stock equal to the conversion rate for purposes of that dividend or distribution. In this case, the holders of the Series B Mandatory Convertible Preferred Stock would receive the dividend or distribution on our common stock together with the number of shares of our common stock issuable upon mandatory conversion of the Series B Mandatory Convertible Preferred Stock.

Recapitalizations, Reclassifications and Changes of Our Common Stock

If there occurs:

any consolidation or merger of us with or into another person (other than a merger or consolidation in which we are the surviving corporation and in which the shares of our common stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of us or another person);

any sale, transfer, lease or conveyance to another person of all or substantially all of our property and assets;

any reclassification of our common stock into securities, including securities other than our common stock; or

any statutory exchange of our securities with another person (other than in connection with a merger or acquisition),

in each case, as a result of which our common stock would be converted into, or exchanged for, securities, cash or property (each such event, a reorganization event, and such securities, cash or property, the reference property, and the amount and kind of reference property that a holder of one share of our common stock would be entitled to receive on account of such reorganization event (without giving effect to any arrangement not to issue or deliver a fractional portion of any security or other property), a reference property unit), then, notwithstanding anything to the contrary described above,

from and after the effective time of such reorganization event, (i) the consideration due upon conversion of any Series B Mandatory Convertible Preferred Stock will be determined in the same manner as if each reference to any number of shares of common stock in the provisions described under this Description of Series B Mandatory Convertible Preferred Stock section (or in any related definitions) were instead a reference to the same number of reference property units; and (ii) for purposes of the definition of fundamental change, the terms common stock and capital stock will be deemed to mean the common equity (including depositary receipts representing common equity), if

any, forming part of such reference property;

for these purposes, the VWAP of any reference property unit or portion thereof that does not consist of a class of securities will be the fair value of such reference property unit or portion thereof, as applicable, determined in good faith by us (or, in the case of cash denominated in U.S. dollars, the face amount thereof); and

at the effective time of such reorganization event, we may amend the Series B Certificate of Determination without the consent of the holders of the Series B Mandatory Convertible Preferred Stock to give effect to the provisions described in the previous bullet points.

For purposes of the foregoing, the type and amount of reference property in the case of any reorganization event that causes our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the

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weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election (or of all holders of our common stock if none makes an election). We will notify holders of the Series B Mandatory Convertible Preferred Stock of the weighted average as soon as practicable after such determination is made.

We (or any successor to us) will, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any reorganization event, provide written notice to the holders of the Series B Mandatory Convertible Preferred Stock of such occurrence and of the kind and amount of cash, securities or other property that constitute the exchange property. Failure to deliver such notice will not affect the operation of the provisions described in this section.

In connection with any adjustment to the fixed conversion rates described above, we will also adjust the dividend threshold (as defined above) based on the number of shares of common stock or other equity interests comprising the reference property and (if applicable) the value of any non-stock consideration comprising the exchange property.

Notices

We will send all notices or communications to holders of the Series B Mandatory Convertible Preferred Stock pursuant to the Series B Certificate of Determination in writing by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery, to the holders' respective addresses shown on the register for the Series B Mandatory Convertible Preferred Stock. However, in the case of Series B Mandatory Convertible Preferred Stock in the form of global securities, we are permitted to send notices or communications to holders pursuant to DTC's procedures, and notices and communications that we send in this manner will be deemed to have been properly sent to such holders in writing.

Reservation of Shares

We will at all times reserve and keep available out of the authorized and unissued common stock, solely for issuance upon conversion of the Series B Mandatory Convertible Preferred Stock, free from any preemptive or other similar rights, a number of shares of our common stock equal to the product of the maximum conversion rate then in effect and the number of shares of the Series B Mandatory Convertible Preferred Stock then outstanding.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC is the transfer agent, registrar and conversion and dividend disbursing agent for the Series B Mandatory Convertible Preferred Stock.

Book-Entry, Delivery and Form

The Series B Mandatory Convertible Preferred Stock will be issued in global form. DTC or its nominee will be the sole registered holder of the Series B Mandatory Convertible Preferred Stock. Ownership of beneficial interests in the Series B Mandatory Convertible Preferred Stock in global form will be limited to persons who have accounts with DTC (participants) or persons who hold interests through such participants. Ownership of beneficial interests in the Series B Mandatory Convertible Preferred Stock in global form will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock, DTC or such nominee, as the case may be, will be

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considered the sole holder of the shares of the Series B Mandatory Convertible Preferred Stock represented by such global certificate for all purposes under the Series B Certificate of Determination establishing the terms of the Series B Mandatory Convertible Preferred Stock. No beneficial owner of an interest in the shares of the Series B Mandatory Convertible Preferred Stock in global form will be able to transfer that interest except in accordance with the applicable procedures of DTC in addition to those provided for under the Series B Certificate of Determination establishing the terms of the Series B Mandatory Convertible Preferred Stock.

Payments of dividends on the global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock will be made to DTC or its nominee, as the case may be, as the registered holder thereof. None of us, the transfer agent, registrar, conversion or dividend disbursing agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of dividends in respect of a global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock, will credit participants' accounts with payments in amounts proportionate to their respective beneficial ownership interests in the aggregate liquidation preference of such global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock as shown on the records of DTC or its nominee, as the case may be. We also expect that payments by participants to owners of beneficial interests in such global certificate representing the shares of the Series B Mandatory Convertible Preferred Stock held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We understand that DTC is:

a limited purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include:

securities brokers and dealers;

banks and trust companies; and