

SERVICE CORPORATION INTERNATIONAL

Form 11-K

June 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

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

Commission file number 1-6402-1

THE SCI 401(k) RETIREMENT SAVINGS PLAN

(Full title of the plan)

SERVICE CORPORATION INTERNATIONAL

(Name of issuer of the securities held pursuant to the plan)

1929 Allen Parkway

Houston, Texas 77019

(Address of the plan and address of issuer's principal executive offices)

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THE SCI 401(k) RETIREMENT SAVINGS PLAN  
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REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

To the Administrative Committee  
The SCI 401(k) Retirement Savings Plan  
Houston, Texas

We have audited the accompanying Statements of Net Assets Available for Benefits of The SCI 401(k) Retirement Savings Plan as of December 31, 2013 and 2012 and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The SCI 401(k) Retirement Savings Plan as of December 31, 2013 and 2012 and the changes in net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ HARPER & PEARSON COMPANY, P.C.

Houston, Texas

June 30, 2014

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STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2013	December 31, 2012
Assets:		
Investments, at fair value		
Pooled separate accounts	\$470,072,801	\$381,440,063
Registered investment company	5,834,024	12,272,376
SCI common stock fund	91,320,966	66,618,637
Interest-bearing cash	3,433,118	1,462,405
Self-directed accounts	950,933	724,832
Total investments	571,611,842	462,518,313
Receivables:		
Participant loans	22,610,209	20,541,738
Securities sold	—	2,366,388
Employer contributions	738,618	—
Total assets	594,960,669	485,426,439
Liabilities:		
Excess contributions payable	422,348	753,810
Total liabilities	422,348	753,810
Net assets available for benefits	\$594,538,321	\$484,672,629

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31, 2013
Additions to net assets attributed to:	
Contributions:	
Employer	\$25,754,922
Participants	34,200,232
Rollovers from other qualified plans	3,813,966
Total contributions	63,769,120
Investment income:	
Dividend and interest income	1,450,155
Net appreciation in the fair value of pooled separate accounts	72,691,274
Net depreciation in the fair value of registered investment company	(989,529 )
Net appreciation in the fair value of SCI common stock	20,906,794
Realized gain on sale of SCI common stock	51,874
Net appreciation in the fair value of self-directed accounts	64,874
Total investment income	94,175,442
Participant loan interest	908,601
Total additions to Net Assets	158,853,163
Deductions from net assets attributed to:	
Distributions to participants	48,595,269
Administrative expenses	392,202
Total deductions from Net Assets	48,987,471
Net increase	109,865,692
Net assets available for benefits at the beginning of the period	484,672,629
Net assets available for benefits at the end of the period	\$594,538,321

See notes to financial statements.

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## THE SCI 401(k) RETIREMENT SAVINGS PLAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## 1. Plan Description

## General

The following description of the SCI 401(k) Retirement Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Summary Plan Description or the Plan Document for a more complete description of the Plan's provisions.

The Plan, established July 1, 2000, is a defined contribution plan for the exclusive benefit of Service Corporation International's (SCI or the Company) United States non-union employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's assets are held by Massachusetts Mutual Life Insurance Company (Mass Mutual) and participant accounts are maintained by MassMutual Retirement Services. Reliant Trust Company (Reliant) serves as the trustee for the SCI Common Stock Fund. State Street bank and Trust Company (State Street) serves as the trustee for the PIMCO Real Return Fund. Service Corporation International serves as Plan Administrator.

On August 8, 2013, the Administrative Committee executed a consent electing to move services related to custody of assets and maintenance of participant accounts to Charles Schwab. The transfer to Charles Schwab is scheduled for July of 2014.

## Contributions

Eligible employees can participate in the Plan after completing three months of service and attaining age 21.

Employees covered by a collective bargaining agreement in which retirement benefits are provided are not eligible under the Plan. The election to contribute to the Plan is voluntary. Employees are initially enrolled in the Plan, after meeting eligibility requirements, to contribute 3% of pretax annual compensation, unless participation is specifically rejected by such employees. Participants may contribute up to a maximum of 50% of pretax annual compensation. Each individual's participant contributions were limited to \$17,500 in 2013. An additional catch-up contribution of \$5,500 was allowed for employees aged 50 and over.

The Company contributes a matching amount up to 6% of the participant's pretax annual compensation. The percentage of the match is based on years of vesting service with the Company and ranges from 75% to 125% of the employee's eligible contribution as described in the table below. Additional amounts may be contributed at the Company's discretion. At December 31, 2013, the Plan reported \$738,618 as a receivable for employer contributions which was paid subsequent to year-end. There were no discretionary Company contributions for the year ended December 31, 2013.

Participant's Completed Years of Service	Matching Percentage	
Less than 6 years	75	%
Greater than 6 years and less than 11 years	100	%
11 or more years	125	%

## Participant Accounts

Participant account balances are valued based upon the number of units of each investment fund owned by the participants. Each participant's account is credited with the participant's contribution, the Company's contributions, and a pro rata share of the earnings of each fund in which the participant has invested. Forfeited balances of terminated participants' non-vested accounts are used to reduce administrative expenses and future Company

contributions. For the year ended December 31, 2013, forfeited balances applied to reduce the December 31, 2013 employer true up contribution and plan expenses amounted to \$1,000,391 and \$70,983, respectively. At December 31, 2013 forfeitures amounting to \$76,304 can be used to offset future employer contributions and/or administrative expenses.

Vesting

Participants are fully vested in their deferred salary, rollover contributions and related earnings. Participants are not vested in Company contributions and related earnings until they complete three years of vesting service with the Company thus becoming 100% vested.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Participant Loans

Participants may borrow from their accounts up to one half of their vested account balance to a maximum of \$50,000. The minimum amount that may be borrowed is \$1,000. Loans are to be repaid within five years, or longer if the loan is used to purchase a primary residence. The loans are secured by the balance in the participant's account and bear interest fixed at 1% above the prime rate at the date of inception. A participant may have no more than two loans outstanding at any one time.

Receivables for Securities Sold

The Plan records investment transactions on a trade date basis. Transactions may take up to seven days to settle, therefore pending purchases and sales are recorded as a receivable or payable as of period end. At December 31, 2013 and 2012, the Plan reported \$0 and \$2,366,388, respectively, as a receivable for securities sold. These transactions were settled within the seven day window subsequent to year end.

Participant Distributions

The Plan provides for several different types of participant withdrawals. Participants who have reached age 59 1/2 may make in-service withdrawals. Participants may request withdrawals before age 59 1/2 if they qualify for certain hardship withdrawals. Upon termination of service with the Company or death, the participant or beneficiary may receive a lump-sum amount equal to the vested amount in the participant's account. A participant whose account balance exceeds \$5,000 may elect a deferred distribution until age 70 1/2 .

Plan Termination

The Company expects the Plan to continue indefinitely, however, it reserves the right to terminate or amend the Plan to eliminate future benefits. If the Plan is terminated, participants will become 100% vested and account balances will be distributed by a lump-sum payment.

2. Summary of Significant Accounting Policies

Principles of Reporting

The financial statements and schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the financial reporting requirements of ERISA and are maintained on an accrual basis except for participant distributions, which are reported when paid.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that may affect the amounts reported in the financial statements and related notes. As a result, actual results could differ from those estimates.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 4 for information regarding Fair Value Measurements).

A self-directed investment account is allowed for each participant who directs an investment outside of the investment options designated by the Plan Administrator. The self-directed account shall not share in trust fund earnings but will be charged or credited as appropriate with net earnings, gains, losses, and expenses, as well as any appreciation (depreciation) in market value attributable to such account during each plan year. State Street Global Markets is asset custodian for the self-directed investment accounts.

Net appreciation (depreciation) in the fair value of the pooled separate accounts and registered investment company consist of net realized and unrealized appreciation (depreciation). Each investment fund's appreciation (depreciation) is allocated to participants based upon their proportionate share of assets in each investment fund.



In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 amended Accounting Standards Codification ("ASC 820") to converge the fair value measurement guidance in accounting principles generally accepted in the United States of America (GAAP) and International Financial Reporting Standards ("IFRSs").

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## THE SCI 401(k) RETIREMENT SAVINGS PLAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

The amendment requires additional disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy. The additional disclosures include quantitative information about the significant unobservable inputs used in Level 3 fair value measurements, the valuation processes used by the Plan, and the Plan's policy for determining when transfers into or out of Level 3 are deemed to have occurred. The guidance was effective for periods beginning after December 15, 2011. Adopting this ASU during the year ended December 31, 2012 did not have a material impact on the Plan's financial statements.

**Risks and Uncertainties**

The Plan provides for several investment options, which are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

**Administrative Expenses**

Administrative expenses represent record keeping fees paid to Mass Mutual. Legal and audit fees are paid by SCI.

**3. Investments**

Investments that comprised 5% or more of the Plan's net assets available for benefits are as follows:

	December 31, 2013	December 31, 2012
MassMutual RetireSMART 2020 Fund (Formerly MassMutual Select Destination Retirement 2020 Fund)	\$53,530,598	\$40,683,532
MassMutual RetireSMART 2030 Fund (Formerly MassMutual Select Destination Retirement 2030 Fund)	39,771,475	28,964,832
MassMutual Stable Return II Fund (Formerly MassMutual Stable Income Fund)	82,435,194	83,272,411
MassMutual Large Cap Growth Fund	39,952,469	28,824,987
SCI Common Stock Fund	91,320,966	66,618,637
MassMutual Select PIMCO Total Return Fund	31,622,916	38,472,831
MassMutual Select Small Cap Growth Equity Fund	35,617,726	*
MassMutual Select Large Cap Value Fund	29,907,206	*

\* Amount is less than 5% of net assets available for Plan benefits.

**4. Fair Value Measurements****Financial Instruments Recorded at Fair Value**

Fair Value Measurements Topic of the FASB Accounting Standards Codification (ASC) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under Fair Value Measurements Topic of the ASC are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Other significant observable inputs (including quoted prices in active and inactive markets for similar assets or liabilities), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is

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NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation techniques used for assets measured at fair value for the years ended December 31, 2013 and 2012:

Interest-bearing cash and self-directed accounts are valued at net asset value of shares held at year end. The underlying investments held in registered investment company, pooled separate accounts and SCI common stock fund are valued at the net asset value of units held by the Plan at year end. Net asset value of units is derived from per share value of underlying publicly traded investments, net of assessed expenses.

The methods above described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of investments are categorized as follows at December 31, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Pooled Separate Accounts Retirement Date Funds (a)	\$—	\$155,820,365	\$—	\$

vocable and 28 unconditional guarantee of payments due on the preferred securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes the guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the WEC Trust's obligations under the preferred securities. See "THE WEC TRUSTS," "DESCRIPTION OF PREFERRED SECURITIES OF WEC CAPITAL TRUST II," and "DESCRIPTION OF DEBT SECURITIES--Certain Provisions Relating to Junior Subordinated Debentures Issued to the WEC Trusts." Status of the Guarantees Each guarantee will constitute our unsecured obligation and will rank subordinate and junior in right of payment to all of our senior debt and subordinated debt. Each guarantee will rank equally with all other guarantees we issue relating to preferred securities issued by the WEC Trusts. Each guarantee will constitute a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against us as the guarantor to

enforce its rights under the guarantee without first suing anyone else). Each guarantee will be held for the benefit of the holders of the related preferred securities. Each guarantee will be discharged only by payment of the guarantee payments in full (to the extent not paid by the WEC Trust) or by distribution of the corresponding junior subordinated debentures to the holders of the preferred securities. None of the guarantees places a limitation on the amount of additional senior indebtedness or subordinated indebtedness that we may incur. We expect from time to time to incur additional indebtedness constituting senior indebtedness or subordinated indebtedness. Amendments and Assignment Except with respect to any changes which do not adversely affect the rights of holders of the related preferred securities in any material respect (in which case no vote will be required), no guarantee may be amended without the prior approval of the holders of not less than a majority of the aggregate liquidation amount of the related outstanding preferred securities. The manner of obtaining any required approval will be as set forth under "DESCRIPTION OF PREFERRED SECURITIES OF WEC CAPITAL TRUST II--Voting Rights; Amendment of Each Trust Agreement." All guarantees and agreements contained in each guarantee agreement will bind our successors, assigns, receivers, trustees and representatives and will benefit the holders of the related preferred securities then outstanding. Events of Default We will be in default under any guarantee agreement if (a) we don't make required payments or (b) we are notified that we haven't performed some other obligation and have not cured that failure within 90 days. The holders of a majority in aggregate liquidation amount of the related preferred securities have the right: . to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee agreement; or . to direct the exercise of any power conferred upon the guarantee trustee under the guarantee agreement. Holders of a majority in aggregate liquidation amount of the related preferred securities also have the right to waive any past event of default and its consequences. Any holder of the preferred securities may institute a legal proceeding directly against us to enforce the WEC Trust's rights under the guarantee agreement without first instituting a legal proceeding against the WEC Trust, the guarantee trustee or anyone else. As guarantor, we are required to file annually with the guarantee trustee a certificate stating whether or not we are in compliance with all the conditions and covenants applicable to us under the guarantee agreement. 29 Information Concerning the Guarantee Trustee The guarantee trustee promises to perform only the duties that are specifically set forth in each guarantee agreement, other than during the occurrence and continuance of a default by us in performance of any guarantee. After we default and while the default continues, the guarantee trustee must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the guarantee trustee is under no

obligation to exercise any of the powers vested in it by any guarantee agreement at the request of any holder of any preferred securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that it might incur by doing so.

**Termination of the Guarantees** Each guarantee will terminate upon full payment of the redemption price of the related preferred securities, upon full payment of the amounts payable upon liquidation of the related WEC Trust or upon distribution of corresponding junior subordinated debentures to the holders of the related preferred securities. Each guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related preferred securities must restore payment of any sums paid under the preferred securities or the guarantee.

**Governing Law** Each guarantee agreement will be governed by and construed in accordance with the laws of the State of New York.

**RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE CORRESPONDING JUNIOR SUBORDINATED DEBENTURES AND THE GUARANTEES**

**Full and Unconditional Guarantee** We irrevocably guarantee payments of distributions and other amounts due on the preferred securities (to the extent the applicable WEC Trust has funds available for the payment of the distributions) as and to the extent set forth under "DESCRIPTION OF GUARANTEES." Taken together, our obligations under each series of corresponding junior subordinated debentures, the related securities resolution, the indenture, the related trust agreement and the related guarantee agreement provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the related series of preferred securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes the full guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the WEC Trust's obligations under the preferred securities. If and to the extent that we do not make payments on any series of corresponding junior subordinated debentures, the WEC Trust will not pay distributions or other amounts due on its preferred securities. The guarantees do not cover payment of distributions when the related WEC Trust does not have sufficient funds to pay the distributions. In that event, the remedy for a holder of a series of preferred securities is to institute a legal proceeding directly against us for enforcement of payment of the distributions to such holder. Our obligations under each guarantee are subordinate and junior in right of payment to all of our senior indebtedness and subordinated indebtedness.

**Sufficiency of Payments** As long as all payments are made when due on each series of corresponding junior subordinated debentures, those payments will be sufficient to cover distributions and other payments due on the related preferred securities. This is primarily because: 30 . the aggregate principal amount of each series of corresponding junior subordinated debentures will be equal to the sum of the aggregate

stated liquidation amount of the related preferred securities and related common securities; . the interest rate and interest and other payment dates on each series of corresponding junior subordinated debentures will match the distribution rate and distribution and other payment dates for the related preferred securities; . we, as borrower, have promised to pay any and all costs, expenses and liabilities of each WEC Trust except the WEC Trust's obligations under its preferred securities; and . each trust agreement provides that the WEC Trust will not engage in any activity that is not consistent with the limited purposes of the WEC Trust. We have the right to set-off any payment we are otherwise required to make under the indenture if and to the extent we have already made, or are concurrently making, a payment under the related guarantee agreement. Enforcement Rights of Holders of Preferred Securities A holder of any preferred security may institute a legal proceeding directly against us to enforce its rights under the related guarantee agreement without first instituting a legal proceeding against the guarantee trustee, the related WEC Trust or anyone else. Our default or event of default under any other senior or subordinated indebtedness would not necessarily constitute a trust event of default. However, in the event of payment defaults under, or acceleration of, our senior or subordinated indebtedness, the subordination provisions of the applicable securities resolution will provide that no payments may be made in respect of the corresponding junior subordinated debentures until the senior or subordinated indebtedness has been paid in full or any payment default thereunder has been cured or waived. Our failure to make required payments on any series of corresponding junior subordinated debentures would constitute a trust event of default. Limited Purpose of WEC Trusts Each WEC Trust's preferred securities evidence undivided beneficial ownership interests in the assets of that WEC Trust, and each WEC Trust exists for the sole purposes of issuing its preferred securities and common securities, investing the proceeds in corresponding junior subordinated debentures and engaging in only those other activities necessary, convenient or incidental to those purposes. A principal difference between the rights of a holder of a preferred security and a holder of a corresponding junior subordinated debenture is that a holder of a junior subordinated debenture is entitled to receive from us the principal amount of and interest accrued on corresponding junior subordinated debentures held, while a holder of preferred securities is entitled to receive distributions from the WEC Trust (or from us under the applicable guarantee agreement) if and to the extent the WEC Trust has funds available for the payment of the distributions. Rights Upon Dissolution Upon any voluntary or involuntary dissolution of any WEC Trust involving the liquidation of the corresponding junior subordinated debentures, the holders of the related preferred securities will be entitled to receive the liquidation distribution in cash, out of assets of the WEC Trust (and after satisfaction of creditors of the WEC Trust as provided by applicable law). See "DESCRIPTION OF

PREFERRED SECURITIES OF WEC CAPITAL TRUST II--Liquidation Distribution upon Dissolution." If we become subject to any voluntary or involuntary liquidation or bankruptcy, the property trustee, as holder of the corresponding junior subordinated debentures, would be one of our junior subordinated creditors. The property trustee would be subordinated in right of payment to all of our senior indebtedness and subordinated indebtedness, but it would be entitled to receive payment in full of principal and interest before our stockholders receive payments or distributions. We are the guarantor under each guarantee agreement and pursuant to the indenture, as borrower, have agreed to pay all costs, expenses and liabilities of each WEC Trust (other than the WEC Trust's obligations to the holders of its preferred securities). Accordingly, in the event of our liquidation or bankruptcy the positions of a holder of preferred securities and of a holder of corresponding junior subordinated debentures are expected to be substantially the same relative to our other creditors and to our stockholders.

32 DESCRIPTION OF WISCONSIN ENERGY PREFERRED STOCK As of the date of this prospectus, the authorized capital stock of Wisconsin Energy consisted of 325,000,000 shares of common stock, \$.01 par value per share, of which 116,951,770 shares were outstanding on August 31, 2001, and 15,000,000 shares of preferred stock, \$.01 par value per share, of which none were outstanding. Under the Wisconsin Energy articles of incorporation, subject to any approval of the SEC which may be required under the Public Utility Holding Company Act of 1935 should Wisconsin Energy become a registered holding company under that Act, the Wisconsin Energy board is authorized to divide the Wisconsin Energy preferred stock into series, to issue shares of any series and, within the limitations set forth in the Wisconsin Energy articles or prescribed by law, to fix and determine the relative rights and preferences of the shares of any series so established, including the dividend rate, redemption price and terms, amount payable upon liquidation, and any sinking fund provisions, conversion privileges and voting rights. This summary highlights selected information about the preferred stock that we may issue; it may not contain all of the information that is important to you. We encourage you to read our articles of incorporation and bylaws and the articles of amendment creating any particular series of preferred stock because they, and not this summary, along with the relevant provisions of the Wisconsin Business Corporation Law, will define the rights of holders of preferred stock. Our articles of incorporation and bylaws are filed as exhibits to the registration statement of which this prospectus is a part, and we will file or incorporate by reference as an exhibit to the registration statement any articles of amendment creating a series of preferred stock. See "Where You Can Find More Information" for information on how to obtain copies of these documents. The specific terms of any preferred stock proposed to be sold under this prospectus and an attached prospectus supplement will be described in the prospectus supplement. The



terms of the offered preferred stock may differ from the terms set forth below if so indicated in the prospectus supplement. Unless otherwise specified in the prospectus supplement relating to a particular series of preferred stock offered hereunder, each series of preferred stock will rank on a parity as to dividends and distribution of assets upon liquidation and in all other respects with all other series of preferred stock. The preferred stock will, when issued, be fully paid and nonassessable, and unless otherwise specified, holders of preferred stock will have no preemptive rights. Shareholders are subject to potential personal liability under section 180.0622(2)(b) of the Wisconsin Business Corporation Law, as judicially interpreted, for debts owing to employees of the company for services performed for the company, but not exceeding six months' service in any one case. You should read the prospectus supplement for the terms of any series of preferred stock offered, including the following:

- . the designation of the series;
- . the number of shares of the preferred stock offered, the liquidation preference per share and the offering price per share of the preferred stock;
- . the dividend rate(s), period(s), and/or payment date(s) or method(s) of calculating such rates, periods or dates applicable to that series of preferred stock;
- . the date from which dividends on the preferred stock will accumulate, if applicable;
- . the liquidation rights of the preferred stock;
- . the procedures for auction or remarketing, if any, of the preferred stock;
- . the sinking fund provisions, if applicable, for the preferred stock;
- . the redemption provisions, if applicable, for the preferred stock;
- . whether the preferred stock will be convertible into or exchangeable for other securities and, if so, the terms and conditions of conversion or exchange, including the conversion price or exchange ratio and the conversion or exchange period, or the method of determining these things;
- 33 . whether the preferred stock will have voting rights and the terms of the voting rights, if any;
- . whether the preferred stock will be listed on any securities exchange;
- . whether the preferred stock will be issued with any other securities and, if so, the amount and terms of these other securities; and
- . any other specific terms, preferences or rights of, or limitations or restrictions on, the preferred stock.

The applicable prospectus supplement will also contain a discussion of any material United States federal income tax considerations relevant to the purchase and ownership of preferred stock offered by the prospectus supplement.

**BOOK-ENTRY ISSUANCE** The debt securities, preferred securities and corresponding junior subordinated debentures of a series and Wisconsin Energy preferred stock may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, the depositary identified in the applicable prospectus supplement. The depositary will be DTC unless otherwise indicated in the applicable prospectus supplement. Book-entry securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged for the individual securities that it represents, a book-entry security

may not be transferred except as a whole to a nominee of the depositary or to a successor depositary or any nominee of the successor. DTC has advised us as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York 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 of institutions that have accounts with DTC ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (which may include the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies (collectively, the "indirect participants") that clear through or maintain a custodial relationship with a participant, whether directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. We expect that pursuant to procedures established by DTC, upon the deposit of one or more global securities with DTC, DTC will credit, on its book-entry registration and transfer system, the ownership interest represented by such global security to the accounts of participants. The accounts to be credited shall be designated by the initial purchaser. Ownership of beneficial interests in the global securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in the global securities will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to participants' interests), the participants and the indirect participants (with respect to the owners of beneficial interests in the global securities other than participants). The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the global securities. So long as DTC, or its nominee, is the registered owner or holder of a global security, DTC or such nominee, as the case may be, will be considered the sole legal owner and holder of any related debt securities, preferred securities and corresponding junior subordinated debentures of a series of preferred stock represented by the global security for all purposes under the indenture and the securities. In addition, as a beneficial owner of an interest in a global security, you will not be able to transfer that interest except in accordance with the 34 applicable procedures of DTC. Except as set forth below, as an owner of a beneficial interest in a global security, you will not be entitled to have the underlying debt securities, preferred securities or corresponding junior

subordinated debentures or preferred stock that are represented by the global security registered in your name, will not receive or be entitled to receive physical delivery of certificated debt securities, preferred securities or corresponding junior subordinated debentures or preferred stock and will not be considered to be the owner or holder of any debt securities, preferred securities or corresponding junior subordinated debentures or preferred stock under the global security. We understand that under existing industry practice, in the event an owner of a beneficial interest in a global security desires to take any action that DTC, as the holder of the global security, is entitled to take, DTC would authorize the participants to take the action, and the participants would authorize beneficial owners owning through the participants to take the action or would otherwise act upon the instructions of beneficial owners owning through them. 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. DTC has advised us that it will take any action permitted to be taken by a holder of interests in a global security only at the direction of one or more participants to whose account the DTC interests in the global security is credited and only in respect of such portion of the aggregate ownership interest in the global security as to which the participant or participants has or have given the direction. We and the WEC Trusts expect that conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to Beneficial Owners and the voting rights of direct participants, indirect participants and Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to DTC's partnership nominee, Cede & Co., as the registered holder of the book-entry securities. As long as the book-entry securities are held by DTC or its nominee and DTC continues to make its same-day funds settlement system available to us, all payments on the book-entry securities (other than distribution payments on the preferred securities or corresponding junior subordinated debentures) will be made by us in immediately available funds to DTC. Distribution payments on the preferred securities or the corresponding junior subordinated debentures will be made by the relevant trustee to DTC. We and the WEC Trusts have been advised that DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC, the relevant trustee, the WEC Trust (as applicable) or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on book-entry securities to DTC is our responsibility or the

responsibility of the relevant trustee (as applicable), disbursement of such payments to direct participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of direct and indirect participants. Unless otherwise specified in the applicable prospectus supplement, if a depositary for a series of preferred securities or preferred stock is at any time unwilling, unable or ineligible to continue as depositary and we do not appoint a successor depositary within 90 days, we will issue individual preferred securities of such series or preferred stock in exchange for the global security representing that series of preferred securities or preferred stock. In addition, we may at any time and in our sole discretion, subject to any limitations described in the prospectus supplement relating to the preferred securities or preferred stock, determine not to have any preferred securities of a series or preferred stock represented by one or more global securities and, in that event, will issue individual preferred securities or preferred stock of that series in exchange for the global security or securities representing that series of preferred securities or preferred stock. Further, if we so specify with respect to preferred securities or preferred stock of a series, an owner of a beneficial interest in a global security representing preferred securities or preferred stock of that series may, on terms acceptable to us, the 35 property trustee and the depositary for such global security, receive individual preferred securities or preferred stock of that series in exchange for that owner's beneficial interests, subject to any limitations described in the prospectus supplement relating to those preferred securities or preferred stock. In that instance, a Beneficial Owner in the global security will be entitled to physical delivery of individual preferred securities or preferred stock of the series represented by the global security equal in liquidation amount to such beneficial interest with respect to preferred securities and equal to the number of shares with respect to preferred stock and to have such preferred securities or preferred stock registered in its name. Individual preferred securities or preferred stock of the series so issued will be issued in the denominations set forth in the related prospectus supplement. DTC may discontinue providing its services as securities depositary with respect to debt securities at any time by giving reasonable notice to us or the indenture trustee. Under those circumstances, if we do not appoint a successor depositary within 90 days, we will issue individual definitive debt securities in exchange for all the global securities representing the debt securities. In addition, we may at any time and in our sole discretion determine not to have the debt securities represented by global securities and, in that event, will issue individual definitive debt securities in exchange for all the global securities representing the debt securities. Individual definitive debt securities so issued will be issued in denominations of \$1,000 and any larger amount that is an integral multiple of \$1,000 and registered in such names as DTC shall direct. If the WEC Trust issues certificated preferred securities, they will be registered in the name of the security

holder. The preferred securities may be transferred or exchanged, based on administrative procedures in the trust agreement, without the payment of any service charge (other than any tax or other governmental charge) by contacting the registrar and transfer agent, Bank One Trust Company, National Association, 1 Bank One Plaza, Suite IL1-0126, Chicago, Illinois 60670-0126. Distribution payments will be made by check if the WEC Trust issues certificated preferred securities. Payment of the redemption price or liquidation amount will be made in immediately available funds when you surrender the preferred security. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we and the WEC Trusts believe to be accurate, but we and the WEC Trusts assume no responsibility for the accuracy thereof. Neither we nor the WEC Trusts have any responsibility for the performance by DTC or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations. PLAN OF DISTRIBUTION We and/or any WEC Trust may sell the securities covered by this prospectus in any one or more of the following ways from time to time: (a) to or through underwriters or dealers; (b) directly to one or more purchasers; (c) through agents; (d) through competitive bidding; or (e) any combination of the above. The prospectus supplement will set forth with respect to the securities being offered thereby the terms of the offering of those securities, including the name or names of any underwriters, the purchase price of those securities and the proceeds to us and/or a WEC Trust from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price, any discounts or concessions allowed or reallocated or paid to dealers, and any securities exchange on which those securities may be listed. Only underwriters so named in the applicable prospectus supplement are deemed to be underwriters in connection with the securities offered thereby. If underwriters are used in the sale, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase those securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the securities of the series offered by us and/or the applicable WEC Trust and 36 described in the applicable prospectus supplement if any of those securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time. Securities may also be offered and sold, if so indicated in the prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, by one or more firms ("remarketing firms") acting as principals for their own accounts or as agents for us and/or an applicable WEC Trust. Any remarketing firm will be identified and the terms of its agreement,

if any, with us and its compensation will be described in the prospectus supplement. Remarketing firms may be deemed to be underwriters in connection with the securities remarketed thereby. Securities may also be sold directly by us and/or a WEC Trust or through agents designated by us from time to time. Any agent involved in the offering and sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us and/or a WEC Trust to such agent will be set forth, in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment. If so indicated in the prospectus supplement, we and/or a WEC Trust will authorize agents, underwriters or dealers to solicit offers by certain institutional investors to purchase securities providing for payment and delivery on a future date specified in the prospectus supplement. There may be limitations on the minimum amount which may be purchased by any such institutional investor or on the portion of the aggregate principal amount of the particular securities which may be sold pursuant to such arrangements. Institutional investors to which such offers may be made, when authorized, include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and such other institutions as may be approved by us and/or a WEC Trust. The obligations of any such purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except (a) the purchase by an institution of the particular securities shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject, and (b) if the particular securities are being sold to underwriters, we and/or a WEC Trust shall have sold to such underwriters all of those securities other than the securities covered by such arrangements. Underwriters will not have any responsibility in respect of the validity of such arrangements or the performance by us or such institutional investors thereunder. If any underwriter or any selling group member intends to engage in stabilizing, syndicate short covering transactions, penalty bids or any other transaction in connection with the offering of securities that may stabilize, maintain, or otherwise affect the price of those securities, such intention and a description of such transactions will be described in the prospectus supplement. Agents and underwriters may be entitled under agreements entered into with us and/or the applicable WEC Trust to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may engage in transactions with, or perform services for, us and our subsidiaries in the ordinary course of business. LEGAL MATTERS Unless otherwise indicated in the applicable prospectus supplements, certain legal matters in connection with the securities will be passed upon (a) for us by

Quarles & Brady LLP, Milwaukee, Wisconsin, our legal counsel, (b) for the WEC Trusts (with respect to the validity of the preferred securities under Delaware law) by special Delaware counsel to us and the WEC Trusts named in the prospectus supplement relating to the preferred securities, and (c) for any underwriters by Cahill Gordon & Reindel, New York, New York.

**EXPERTS** The financial statements of Wisconsin Energy Corporation incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2000 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting. 37

**WHERE YOU CAN FIND MORE INFORMATION** We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. and through our own web site at <http://wisenergy.com>. You may also read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, where our common stock is listed under the symbol "WEC." You can call the SEC at 1-800-732-0330 for further information about the Public Reference Room. The SEC allows us to "incorporate by reference" the information we file with them, which means we are assumed to have disclosed important information to you when we refer you to documents that are on file with the SEC. The information we have incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future documents we file with the SEC (File No. 1-9057) under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities covered by this prospectus. . Annual Report on Form 10-K for the fiscal year ended December 31, 2000. . Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001 and June 30, 2001. . Current Reports on Form 8-K filed March 2, 2001, March 15, 2001, June 1, 2001, June 7, 2001, September 13, 2001 and September 21, 2001. You may request a copy of these documents at no cost by writing to us at the following address: Wisconsin Energy Corporation 231 West Michigan Street P. O. Box 2949 Milwaukee, Wisconsin 53201 Attn: Mr. Thomas H. Fehring, Corporate Secretary Telephone: (414) 221-2662 You should rely only on the information provided in or incorporated by reference (and not later changed) in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with additional or different information. We are not making an offer of any securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the

front of those documents. 38

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\$300,000,000 [WISCONSIN ENERGY CORPORATION LOGO]  
5.50% Senior Notes due December 1, 2008

----- PROSPECTUS SUPPLEMENT

November 13, 2001 ----- Joint  
Book-Running Managers Banc of America Securities LLC Bear,  
Stearns & Co. Inc. ----- Banc One Capital Markets, Inc.  
JPMorgan U.S. Bancorp Piper Jaffray Robert W. Baird & Co.  
Incorporated