

ALABAMA POWER CO
Form 424B5
December 04, 2007

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This Prospectus Supplement and the accompanying Prospectus relate to an effective registration statement under the Securities Act of 1933, as amended, but are not complete and may be changed. This Prospectus Supplement and the accompanying Prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
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SUBJECT TO COMPLETION, DATED DECEMBER 4, 2007

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated July 19, 2005)

\$

**Series 2007D % Senior Notes
 due December 15, 2012**

This is a public offering by Alabama Power Company of \$ of Series 2007D % Senior Notes due December 15, 2012. Interest on the Series 2007D Senior Notes is payable semiannually in arrears on June 15 and December 15 of each year, beginning June 15, 2008.

Alabama Power Company may redeem the Series 2007D Senior Notes, in whole or in part, at any time and from time to time, at a make-whole redemption price as described under the caption Description of the Series 2007D Senior Notes Optional Redemption.

The Series 2007D Senior Notes are unsecured and unsubordinated and rank equally with all of Alabama Power Company's other unsecured and unsubordinated indebtedness from time to time outstanding and will be effectively subordinated to all secured indebtedness of Alabama Power Company.

See RISK FACTORS on page S-3 for a description of certain risks associated with investing in the Series 2007D Senior Notes.

	Per Series 2007D Senior Note	Total
Public Offering Price (1)	%	\$
Underwriting Discount	%	\$
Proceeds, before expenses, to Alabama Power Company	%	\$

(1) Plus accrued interest, if any, from the date of original issuance of the Series 2007D Senior Notes, which is expected to be December , 2007.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Prospectus Supplement or the accompanying Prospectus. Any representation to the contrary is a criminal offense.

The Series 2007D Senior Notes should be delivered on or about December , 2007 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Merrill Lynch & Co.

Morgan Stanley

Co-Managers

**Lazard Capital Markets
Scotia Capital**

**Mizuho Securities USA Inc.
SunTrust Robinson Humphrey**

December , 2007

In making your investment decision, you should rely only on the information contained or incorporated by reference in this Prospectus Supplement, the accompanying Prospectus and any written communication from Alabama Power Company or the underwriters specifying the final terms of the offering. We have not, and the underwriters have not, authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it.

We are offering to sell the Series 2007D Senior Notes only in places where sales are permitted.

You should not assume that the information contained or incorporated by reference in this Prospectus Supplement, the accompanying Prospectus or any written communication from Alabama Power Company or the underwriters specifying the final terms of this offering, including information incorporated by reference, is accurate as of any date other than its respective date.

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Investing in the Series 2007D Senior Notes involves risk. Please see the risk factors in Alabama Power Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, along with the disclosure related to risk factors contained in Alabama Power Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007, which are all incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The risks and uncertainties not presently known to Alabama Power Company or that Alabama Power Company currently deems immaterial may also impair its business operations, its financial results and the value of the Series 2007D Senior Notes.

THE COMPANY

Alabama Power Company (the "Company") is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The Company has its principal office at 600 North 18th Street, Birmingham, Alabama 35291, telephone (205) 257-1000. The Company is a wholly owned subsidiary of The Southern Company ("Southern").

The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 44,500 square mile service area comprising most of the State of Alabama.

SELECTED FINANCIAL INFORMATION

The following selected financial data for the years ended December 31, 2002 through December 31, 2006 has been derived from the Company's audited financial statements and related notes and the unaudited selected financial data, incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The following selected financial data for the nine months ended September 30, 2007 has been derived from the Company's unaudited financial statements and related notes, incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The information set forth below is qualified in its entirety by reference to and, therefore, should be read together with management's discussion and analysis of results of operations and financial condition, the financial statements and related notes and other financial information incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The information set forth below in the "As Adjusted" column under "Capitalization" does not reflect the issuance of the Series 2007D Senior Notes offered hereby or the use of proceeds therefrom. See "Use of Proceeds."

	2002	Year Ended December 31,			2006	Nine Months Ended September 30, 2007(1)
		2003	2004	2005		
		(Millions, except ratios)				
Operating Revenues	\$ 3,711	\$ 3,960	\$ 4,236	\$ 4,648	\$ 5,015	\$ 4,168
Earnings Before Income Taxes	768	781	818	817	873	853
Net Income After Dividends on Preferred and Preference Stock	461	473	481	508	518	508

Ratio of Earnings to Fixed Charges(2)	3.98	4.29	4.76	4.67	4.34	4.87
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	Capitalization		
	As of September 30, 2007		
	Actual	As Adjusted(3)	
	(Millions, except percentages)		
Common Stockholder's Equity	\$ 4,340	\$ 4,429	45.2%
Cumulative Preferred Stock	340	340	3.5
Non-Cumulative Preference Stock	295	344	3.5
Senior Notes	3,485	3,685	37.6
Long-term Debt Payable to Affiliated Trusts	206	206	2.1
Other Long-term Debt	800	800	8.1
Total, excluding amounts due within one year	\$ 9,466	\$ 9,804	100.0%

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- (1) Due to seasonal variations in the demand for energy, operating results for the nine months ended September 30, 2007 do not necessarily indicate operating results for the entire year.
- (2) This ratio is computed as follows: (i) Earnings have been calculated by adding to Earnings Before Income Taxes Interest expense, net of amounts capitalized, Interest expense to affiliate trusts, Distributions on mandatorily redeemable preferred securities and the debt portion of allowance for funds used during construction; and (ii) Fixed Charges consist of Interest expense, net of amounts capitalized, Interest expense to affiliate trusts, Distributions on mandatorily redeemable preferred securities and the debt portion of allowance for funds used during construction. For the nine months ended September 30, 2007, this ratio includes interest relating to Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* .
- (3) Reflects: (i) the issuance in October 2007 of \$200,000,000 aggregate principal amount of Series 2007C 6.00% Senior Insured Monthly Notes due October 15, 2037; (ii) the issuance in October 2007 of 2,000,000 shares (\$50,000,000 aggregate stated capital, less \$1,000,000 of issuance expenses) of 6.50% Series Preference Stock, Non-Cumulative, Par Value \$1 Per Share (Stated Capital \$25 Per Share) and (iii) the issuance in November 2007 of common stock to Southern at an aggregate price of \$89,000,000. Does not reflect the issuance of the Series 2007D Senior Notes offered hereby or the use of proceeds therefrom. See Use of Proceeds.

USE OF PROCEEDS

The net proceeds from the sale of the Series 2007D Senior Notes will be used by the Company for general corporate purposes, including the Company's continuous construction program.

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DESCRIPTION OF THE SERIES 2007D SENIOR NOTES

Set forth below is a description of the specific terms of the Series 2007D % Senior Notes due December 15, 2012 (the Series 2007D Senior Notes). This description supplements, and should be read together with, the description of the general terms and provisions of the senior notes set forth in the accompanying Prospectus under the caption

Description of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Senior Note Indenture (the Senior Note Indenture) dated as of December 1, 1997, as supplemented, between the Company and The Bank of New York (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as trustee (the Senior Note Indenture Trustee).

General

The Series 2007D Senior Notes will be issued as a series of senior notes under the Senior Note Indenture. The Series 2007D Senior Notes will be initially issued in the aggregate principal amount of \$. The Company may, without the consent of the holders of the Series 2007D Senior Notes, issue additional notes having the same ranking and interest rate, maturity and other terms as the Series 2007D Senior Notes (except for the issue price and issue date and the initial interest accrual date and initial Interest Payment Date (as defined below), if applicable). Any additional notes having such similar terms, together with the Series 2007D Senior Notes, will constitute a single series of senior notes under the Senior Note Indenture.

The entire principal amount of the Series 2007D Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on December 15, 2012. The Series 2007D Senior Notes are not subject to any sinking fund provision. The Series 2007D Senior Notes are available for purchase in denominations of \$1,000 and any integral multiple thereof.

Interest

Each Series 2007D Senior Note will bear interest at the rate of % per year (the Securities Rate) from the date of original issuance, payable semiannually in arrears on June 15 and December 15 of each year (each, an Interest Payment Date) to the person in whose name such Series 2007D Senior Note is registered at the close of business on the fifteenth calendar day prior to such Interest Payment Date (whether or not a Business Day). The initial Interest Payment Date is June 15, 2008. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series 2007D Senior Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date. Business Day means a day other than (i) a Saturday or Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed or (iii) a day on which the Senior Note Indenture Trustee s corporate trust office is closed for business.

Ranking

The Series 2007D Senior Notes will be direct, unsecured and unsubordinated obligations of the Company and will rank equally with all other unsecured and unsubordinated obligations of the Company. The Series 2007D Senior Notes will be effectively subordinated to all secured debt of the Company, aggregating approximately \$153,000,000 outstanding at September 30, 2007. The Senior Note Indenture contains no restrictions on the amount of additional indebtedness that may be incurred by the Company.

Optional Redemption

The Series 2007D Senior Notes will be subject to redemption at the option of the Company in whole or in part at any time and from time to time upon not less than 30 nor more than 60 days' notice at a redemption price (the "Redemption Price") equal to the greater of:

(i) 100% of the principal amount of the Series 2007D Senior Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2007D Senior Notes being redeemed (not including any portion of such payments of interest accrued to the redemption date) discounted (for purposes of determining present value) to the redemption date on a semiannual basis (assuming

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a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Yield (as defined below) plus basis points, plus, in each case, accrued interest thereon to the date of redemption.

Treasury Yield means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Series 2007D Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series 2007D Senior Notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (ii) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means an independent investment banking institution of national standing appointed by the Company.

Reference Treasury Dealer means a primary U.S. Government securities dealer in New York City appointed by the Company.

Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day in New York City preceding such redemption date).

If notice of redemption is given as aforesaid, the Series 2007D Senior Notes so to be redeemed shall, on the redemption date become due and payable at the Redemption Price together with any accrued interest thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Series 2007D Senior Notes shall cease to bear interest. If any Series 2007D Senior Note called for redemption shall not be paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the date of redemption at the Securities Rate. See Description of the Senior Notes Events of Default in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Series 2007D Senior Notes by tender, in the open market or by private agreement.

Book-Entry Only Issuance The Depository Trust Company

The Depository Trust Company (DTC) will act as the initial securities depository for the Series 2007D Senior Notes. The Series 2007D Senior Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One or more fully registered global Series 2007D Senior Notes certificates will be issued, representing in the aggregate the total principal amount of the Series 2007D Senior Notes, and will be deposited with the Senior Note Indenture Trustee on behalf of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, 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 Securities Exchange Act of 1934, as amended (the 1934 Act). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and

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non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's, a division of The McGraw Hill Companies, Inc., highest rating: AAA. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007D Senior Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007D Senior Notes on DTC's records. The ownership interest of each actual purchaser of Series 2007D Senior Notes (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Series 2007D Senior Notes. Transfers of ownership interests in the Series 2007D Senior Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007D Senior Notes, except in the event that use of the book-entry system for the Series 2007D Senior Notes is discontinued.

To facilitate subsequent transfers, all Series 2007D Senior Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007D Senior Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007D Senior Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007D Senior Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 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 shall be sent to DTC. If less than all of the Series 2007D Senior Notes are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such Series 2007D Senior Notes to be redeemed.

Although voting with respect to the Series 2007D Senior Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2007D Senior Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus

Proxy assigns Cede & Co. s consenting or voting rights to those Direct Participants to whose accounts Series 2007D Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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Payments on the Series 2007D Senior Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Company or the Senior Note Indenture Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in street name, and will be the responsibility of such Direct or Indirect Participant and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Company, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of a global Series 2007D Senior Note will not be entitled to receive physical delivery of Series 2007D Senior Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series 2007D Senior Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Series 2007D Senior Note.

DTC may discontinue providing its services as securities depository with respect to the Series 2007D Senior Notes at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2007D Senior Notes certificates will be required to be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Series 2007D Senior Notes. The Company understands, however, that under current industry practices, DTC would notify its Direct and Indirect Participants of the Company's decision, but will only withdraw beneficial interests from a global Series 2007D Senior Note at the request of each Direct or Indirect Participant. In that event, certificates for the Series 2007D Senior Notes will be printed and delivered to the applicable Direct or Indirect Participant.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. The Company has no responsibility for the performance by DTC or its Direct or Indirect Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

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UNDERWRITING

Subject to the terms and conditions of an underwriting agreement (the "Underwriting Agreement"), the Company has agreed to sell to the underwriters named below (the "Underwriters") and each of the Underwriters has severally agreed to purchase from the Company the principal amount of the Series 2007D Senior Notes set forth opposite its name below:

Underwriters	Principal Amount of Series 2007D Senior Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$
Morgan Stanley & Co. Incorporated	
Lazard Capital Markets LLC	
Mizuho Securities USA Inc.	
Scotia Capital (USA) Inc.	
SunTrust Robinson Humphrey, Inc.	
	\$

In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Series 2007D Senior Notes offered hereby, if any of the Series 2007D Senior Notes are purchased.

The Underwriters propose to offer the Series 2007D Senior Notes directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement and may offer them to certain securities dealers at such price less a concession not in excess of % of the principal amount per Series 2007D Senior Note. The Underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount per Series 2007D Senior Note to certain brokers and dealers. After the initial public offering, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Series 2007D Senior Notes are a new issue of securities with no established trading market. The Series 2007D Senior Notes will not be listed on any securities exchange or on any automated dealer quotation system. The Underwriters may make a market in the Series 2007D Senior Notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series 2007D Senior Notes or that an active public market for the Series 2007D Senior Notes will develop. If an active public trading market for the Series 2007D Senior Notes does not develop, the market price and liquidity of the Series 2007D Senior Notes may be adversely affected.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Company's expenses associated with the offer and sale of the Series 2007D Senior Notes are estimated to be \$.

The Company has agreed with the Underwriters that, during the period 15 days from the date of the Underwriting Agreement, it will not sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Series 2007D Senior Notes, any security convertible into, exchangeable into or exercisable for the Series 2007D Senior Notes or any debt securities substantially similar to the Series 2007D Senior Notes (except for the Series 2007D Senior Notes issued pursuant to the Underwriting Agreement), without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated. This agreement does not apply to issuances of commercial paper or other debt securities with scheduled maturities of less than one year.

In order to facilitate the offering of the Series 2007D Senior Notes, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2007D Senior Notes. Specifically, the Underwriters may over-allot in connection with the offering, creating short positions in the Series 2007D Senior

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Notes for their own accounts. In addition, to cover over-allotments or to stabilize the price of the Series 2007D Senior Notes, the Underwriters may bid for, and purchase, Series 2007D Senior Notes in the open market. The Underwriters may reclaim selling concessions allowed to an Underwriter or dealer for distributing Series 2007D Senior Notes in the offering, if the Underwriters repurchase previously distributed Series 2007D Senior Notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series 2007D Senior Notes above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time without notice.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series 2007D Senior Notes. In addition, neither the Company nor any Underwriter makes any representation that the Underwriters will engage in such transactions or that such transactions once commenced will not be discontinued without notice.

It is expected that delivery of the Series 2007D Senior Notes will be made, against payment for the Series 2007D Senior Notes, on or about December , 2007, which will be the business day following the pricing of the Series 2007D Senior Notes. Under Rule 15c6-1 under the 1934 Act, purchases or sales of securities in the secondary market generally are required to settle within three business days (T+3), unless the parties to any such transactions expressly agree otherwise. Accordingly, purchasers of the Series 2007D Senior Notes who wish to trade the Series 2007D Senior Notes on the date of this Prospectus Supplement or the succeeding business day will be required, because the Series 2007D Senior Notes initially will settle within business days (T+), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Series 2007D Senior Notes who wish to trade on the date of this Prospectus Supplement or the succeeding business day should consult their own legal advisors.

Certain of the Underwriters and their affiliates have engaged and may in the future engage in transactions with, and, from time to time, have performed and may perform investment banking and/or commercial banking services for, the Company and certain of its affiliates in the ordinary course of business, for which they have received and will receive customary compensation.

Lazard Capital Markets LLC (Lazard Capital Markets) has entered into an agreement with Mitsubishi UFJ Securities (USA), Inc. (MUS(USA)), pursuant to which MUS(USA) provides certain advisory and/or other services to Lazard Capital Markets, including in respect of this offering. In return for the provision of such services by MUS(USA) to Lazard Capital Markets, Lazard Capital Markets will pay to MUS(USA) a mutually agreed upon fee.

LEGAL MATTERS

The validity of the Series 2007D Senior Notes and certain matters relating to such securities will be passed upon on behalf of the Company by Balch & Bingham LLP, Birmingham, Alabama, and Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey & LeBoeuf LLP, New York, New York. From time to time, Dewey & LeBoeuf LLP acts as counsel to affiliates of the Company for some matters.

EXPERTS

The financial statements and related financial statement schedule incorporated in this Prospectus Supplement and the accompanying Prospectus by reference from the Company's Annual Report on Form 10-K for the year ended

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December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph referring to the Company's change in its method of accounting for the funded status of defined benefit pension and other postretirement plans), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

\$2,300,000,000

**Alabama Power Company
First Mortgage Bonds
Class A Preferred Stock
Cumulative, Par Value \$1 Per Share
Preference Stock
Depository Preference Shares,
each representing a fraction of a share of Preference Stock
Senior Notes
Junior Subordinated Notes**

**Alabama Power Capital Trust VI
Alabama Power Capital Trust VII
Alabama Power Capital Trust VIII
Trust Preferred Securities**

**Fully and unconditionally guaranteed, as set forth herein, by
Alabama Power Company
a subsidiary of The Southern Company**

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest.

See Risk Factors on page 2 for information on certain risks related to the purchase of these securities.

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

This Prospectus is dated July 19, 2005

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ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the Commission) using a shelf registration process under the Securities Act of 1933, as amended (the 1933 Act). Under the shelf process, Alabama Power Company (the Company) may sell, in one or more transactions,

first mortgage bonds (the new Bonds)

class A preferred stock (the new Stock)

preference stock (the Preference Stock)

depository preference shares, each representing a fraction of a share of Preference Stock (the Depository Shares)

senior notes (the Senior Notes)

junior subordinated notes (the Junior Subordinated Notes)

and Alabama Power Capital Trust VI, Alabama Power Capital Trust VII and Alabama Power Capital Trust VIII (individually, a Trust and collectively, the Trusts) may sell,

trust preferred securities (the Preferred Securities)

in one or more offerings up to a total dollar amount of \$2,300,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering (Prospectus Supplement). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading Available Information.

RISK FACTORS

Investing in the Company's securities involves risk. Please see the risk factors described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, along with the disclosure related to risk factors contained in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, which are incorporated by reference in this Prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Prospectus. The risks and uncertainties described are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company deems immaterial may also impair its business operations, its financial results and the value of its securities.

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the Registration Statement, which term encompasses any amendments of and exhibits to the Registration Statement) under the 1933 Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules to the Registration Statement,

to which reference is made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 1934 Act), and in accordance with the 1934 Act files reports and other information with the Commission. Such reports and other information can be inspected and copied at the Public Reference Room of the Commission at 100 F. Street, N.E., Room 1580, Washington, D.C. 20549, and at the Commission's Regional Offices at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131 and 233 Broadway, New York, New York 10279. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of such material can also be obtained at prescribed

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rates by writing to the Public Reference Section of the Commission at 100 F. Street, N.E., Room 1580, Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at <http://www.sec.gov>. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which Exchange certain of the Company's securities are listed.

No separate financial statements of any Trust are included in this Prospectus. The Company considers that such statements would not be material to holders of the Preferred Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities (as defined below) in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated by reference in this Prospectus and made a part of this Prospectus:

- (a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004;
- (b) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005; and
- (c) the Company's Current Reports on Form 8-K dated February 21, 2005, March 8, 2005, May 5, 2005 and June 10, 2005.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of the initial filing of the Registration Statement and prior to the effectiveness of the Registration Statement and subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated in this Prospectus by reference and made a part of this Prospectus from the date of filing of such documents; provided, however, the Company is not incorporating any information furnished under Items 2.02 or 7.01 of any Current Report on Form 8-K unless specifically stated otherwise. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated in this Prospectus by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to William E. Zales, Jr., Vice President and Corporate Secretary, Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291, telephone: (205) 257-2714.

Table of Contents**ALABAMA POWER COMPANY**

The Company is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of the predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The predecessor Alabama Power Company had a continuous existence since its incorporation in 1906. The principal executive offices of the Company are located at 600 North 18th Street, Birmingham, Alabama 35291, and the telephone number is (205) 257-1000.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended (the 1935 Act). The Company is engaged, within the State of Alabama, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in over 1,000 communities (including Anniston, Birmingham, Gadsden, Mobile, Montgomery and Tuscaloosa), and at wholesale to 15 municipally owned electric distribution systems, 11 of which are served indirectly through sales to the Alabama Municipal Electric Authority, and two rural distributing cooperative associations. The Company also supplies steam service in downtown Birmingham. The Company owns coal reserves near its Gorgas Steam Electric Generating Plant and uses the output of coal from the reserves in its generating plants. It also sells, and cooperates with dealers in promoting the sale of, electric appliances.

The Company and one of its affiliates, Georgia Power Company (GEORGIA), each own 50% of the common stock of Southern Electric Generating Company (SEGCO). SEGCO owns generating units with an aggregate capacity of 1,019,680 kilowatts at the Ernest C. Gaston Steam Plant (Plant Gaston) on the Coosa River near Wilsonville, Alabama. The Company and GEORGIA are each entitled to one-half of the capacity and energy of these units. The Company acts as SEGCO s agent in the operation of SEGCO s units and furnishes coal to SEGCO as fuel for its units. SEGCO also owns three 230,000 volt transmission lines extending from Plant Gaston to the Georgia state line.

SELECTED INFORMATION

The following material, which is presented in this Prospectus solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated in this Prospectus by reference or elsewhere in this Prospectus, is qualified in its entirety by reference to such documents and, therefore, should be read together with those documents.

Alabama Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 45,000 square miles comprising most of the State of Alabama
Customers at December 31, 2004	1,385,374
Generating Capacity at December 31, 2004 (kilowatts)	12,215,743
Sources of Generation during 2004 (kilowatt-hours)	Coal (65%), Nuclear (19%), Gas (10%), Hydro (6%)

Table of Contents**Certain Ratios**

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,					Three Months Ended March 31,
	2000	2001	2002	2003	2004	2005(1)
Ratio of Earnings to Fixed Charges(2)	3.46	3.31	3.98	4.29	4.76	3.15
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(3)	3.18	3.05	3.66	3.83	4.06	2.78

- (1) Due to seasonal variations in the demand for energy, operating results for the three months ended March 31, 2005 do not necessarily indicate operating results for the entire year.
- (2) This ratio is computed as follows: (i) Earnings have been calculated by adding to Earnings Before Income Taxes Interest expense, net of amounts capitalized, Interest expense to affiliate trusts, Distributions on mandatorily redeemable preferred securities and the debt portion of allowance for funds used during construction; and (ii) Fixed Charges consist of Interest expense, net of amounts capitalized, Interest expense to affiliate trusts, Distributions on mandatorily redeemable preferred securities and the debt portion of allowance for funds used during construction.
- (3) In computing this ratio, Preferred Dividend Requirements represent the before-tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

THE TRUSTS

Each Trust is a statutory trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on October 21, 2002. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee of each Trust. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the Trust Agreement). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the 1939 Act). The Company will own all the common securities (the Common Securities) and, together with the Preferred Securities, the Trust Securities). The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental to these purposes. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available for these purposes, will be guaranteed by the Company (individually, a Guarantee and collectively, the Guarantees). See Description of the Guarantees.

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two employees of the Company as Administrative Trustees; JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank) as Property Trustee; and Chase Bank USA, National

Association as Delaware Trustee (collectively, the Securities Trustees). The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 600 North 18th Street, Birmingham, Alabama 35291, telephone (205) 257-2714, Attn: Corporate Secretary.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of each Trust for further information concerning such Trust.

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ACCOUNTING TREATMENT OF THE TRUSTS

For financial reporting purposes, each Trust is a variable interest entity. The Company does not meet the definition of primary beneficiary and, therefore, accounts for its investment in each Trust under the equity method in accordance with Financial Accounting Standards Board Interpretation No. 46R, Consolidation of Variable Interest Entities. The Junior Subordinated Notes payable to each Trust will be presented as a separate line item in the Company's balance sheet. Interest related to the Junior Subordinated Notes will be reflected as a separate line item on the Company's income statement and appropriate disclosures concerning the Preferred Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the Company's financial statements.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment and any proceeds received from the sale of its new Bonds, new Stock, Preference Stock, Depositary Shares or Senior Notes or other sales of its Junior Subordinated Notes will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

DESCRIPTION OF THE NEW BONDS

Set forth below is a description of the general terms of the Company's new Bonds. The following description does not purport to be complete and is subject to, and is qualified by reference to, the Indenture, dated as of January 1, 1942, between the Company and JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank (as successor to Chemical Bank and Trust Company)), as trustee (the First Mortgage Bond Trustee), as to be supplemented by a supplemental indenture (the Supplemental Indenture) establishing the new Bonds of each series (the Indenture, as so supplemented, is referred to as the First Mortgage Bond Indenture), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of such new Bonds will include those stated in the First Mortgage Bond Indenture and those made a part of the First Mortgage Bond Indenture by reference to the 1939 Act. Certain capitalized terms used in this Prospectus are defined in the First Mortgage Bond Indenture.

The new Bonds will mature on the date shown in their title as set forth in the Prospectus Supplement.

The new Bonds in definitive form will be issued only as registered bonds without coupons in denominations of \$1,000 or authorized multiples of \$1,000 or in such other denominations as set forth in the Prospectus Supplement. New Bonds will be exchangeable for a like aggregate principal amount of new Bonds of other authorized denominations, and are transferable, at the principal corporate trust office of the First Mortgage Bond Trustee in New York City, or at such other office or agency of the Company as the Company may from time to time designate, without payment of any charge other than for any tax or taxes or other governmental charge.

Any proposed listing of the new Bonds on a securities exchange will be described in the Prospectus Supplement.

Except as otherwise may be indicated in the Prospectus Supplement, there are no provisions of the First Mortgage Bond Indenture which are specifically intended to afford holders of the new Bonds protection in the event of a highly leveraged transaction involving the Company.

Interest Rate Provisions: The Prospectus Supplement will set forth the interest rate provisions of the new Bonds, including payment dates, the record dates and the rate or rates, or the method of determining the rate or rates (which

may involve periodic interest rate settings through remarketing or auction procedures or pursuant to one or more formulae, as described in the Prospectus Supplement).

Redemption Provisions: The redemption provisions applicable to the new Bonds will be described in the Prospectus Supplement.

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Priority and Security: The new Bonds will rank equally as to security with the bonds of other series presently outstanding under the First Mortgage Bond Indenture, which is a direct first lien on substantially all of the Company's fixed property and franchises, used or useful in its public utility business, subject only to excepted encumbrances, as defined in the First Mortgage Bond Indenture (Section 1.02).

The First Mortgage Bond Indenture permits, within certain limitations specified in Section 7.05, the acquisition of property subject to prior liens. Under certain conditions specified in Section 7.14, additional indebtedness secured by such prior liens may be issued to the extent of 60% of the cost to the Company or the fair value at date of acquisition, whichever is less, of the net property additions made by the Company to the property subject to such prior lien.

Replacement Requirement: By Section 4 of the Supplemental Indenture dated as of October 1, 1981, the Company is required to certify to the First Mortgage Bond Trustee unfunded net property additions or to deposit with the First Mortgage Bond Trustee cash or bonds in an amount equal to the amount by which annual expenditures for renewals and replacements are less than 2.25% of the average annual amount of depreciable mortgaged property or such revised percentage as shall be authorized or approved by the Commission, or any successor commission, under the 1935 Act. Any available replacement credit may be carried forward and deposited cash or bonds may be withdrawn, used or applied in accordance with the provisions of such Section 4.

Any limitation on the right of the Company to redeem new Bonds through the operation of the replacement provisions of the First Mortgage Bond Indenture will be described in the Prospectus Supplement.

The First Mortgage Bond Indenture (Section 7.16) provides for an examination of the mortgaged property by an independent engineer at least once every five years. The Company covenants to make good any maintenance deficiency shown by the certificate of such engineer and to record retirements as called for by the First Mortgage Bond Indenture.

Issuance of Additional Bonds: Additional bonds may be issued under the First Mortgage Bond Indenture (a) under Article IV to the extent of 60% of the cost or fair value at date of acquisition, whichever is less, of unfunded net property additions, as defined in the First Mortgage Bond Indenture (Sections 1.08 through 1.11, as amended), or (b) under Article V against the retirement of other bonds outstanding under the First Mortgage Bond Indenture, or (c) under Article VI against the deposit of cash equal to the principal amount of bonds to be issued. Such additional bonds, however, may be issued, except in certain cases when issued under Article V, only if, for a period of twelve consecutive calendar months within the fifteen preceding calendar months, the net earnings of the Company, as defined in the First Mortgage Bond Indenture (Section 1.03, as amended), shall have been at least twice the interest requirements for one year on all bonds outstanding, including the additional bonds applied for and all outstanding prior lien bonds and other indebtedness of the character described in the First Mortgage Bond Indenture. Such net earnings are computed, in effect, after making certain deductions including (i) all operating expenses other than income and excess profits taxes and (ii) the amount, if any, by which the aggregate charges to expense or income to provide for depreciation are less than 2.25% of the average amount of depreciable mortgaged property. Under this provision, no amount is included in interest requirements on account of \$18,700,000 principal amount of first mortgage bonds (out of a total of \$132,900,000 principal amount) issued and outstanding as of March 31, 2005, as collateral for certain obligations for which such bonds are pledged as security. No interest is payable on any such bonds unless and until default occurs on such obligations.

Cash deposited as the basis for the issuance of bonds may be applied to the retirement of bonds or be withdrawn against the deposit of bonds or be withdrawn to the extent of 60% of the cost or fair value, whichever is less, of unfunded net property additions (Article VI).

Release and Substitution of Property: The First Mortgage Bond Indenture (Article X) provides that, subject to various limitations, property may be released from the lien of the First Mortgage Bond Indenture when sold or exchanged, upon the basis of cash deposited with the First Mortgage Bond Trustee, bonds or purchase money obligations delivered to the First Mortgage Bond Trustee, prior lien bonds delivered to the First Mortgage Bond Trustee or reduced or assumed, property additions acquired in exchange for the property released or unfunded net property additions certified to the First Mortgage Bond Trustee.

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The First Mortgage Bond Indenture (Section 10.05) permits the cash proceeds of released property and other funds to be withdrawn either upon a showing that unfunded net property additions exist or against the deposit of bonds and also permits such proceeds and other funds to be applied to the retirement of bonds.

Restrictions on Common Stock Dividends: There are various restrictions on Common Stock dividends in the First Mortgage Bond Indenture (which are to remain in effect so long as certain series of bonds are outstanding). Any restrictions on dividends and distributions on Common Stock in the Supplemental Indenture will be set forth in the Prospectus Supplement.

Amendments to the First Mortgage Bond Indenture: By Section 6(g) of the Supplemental Indenture dated as of October 1, 1981, the First Mortgage Bond Indenture may be modified with the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding which would be affected by the action proposed to be taken. However, the bondholders shall have no power (i) to extend the fixed maturity of any bonds, or reduce the rate or extend the time of payment of interest on any bonds, or reduce the principal amount of any bonds, without the express consent of the holder of each bond which would be so affected, or (ii) to reduce the percentage of bonds as mentioned above, the holders of which are required to consent to any such modification, without the consent of the holders of all bonds outstanding, or (iii) to permit the creation by the Company of any mortgage or pledge or lien in the nature of any bonds, not otherwise permitted under the First Mortgage Bond Indenture, ranking prior to or equal with the lien of the First Mortgage Bond Indenture on any of the mortgaged and pledged property, or (iv) to deprive the holder of any bond outstanding under the First Mortgage Bond Indenture of the lien of the First Mortgage Bond Indenture on any of the mortgaged and pledged property. The First Mortgage Bond Trustee shall not be obligated to enter into a supplemental indenture which would affect its own rights, duties or immunities under the First Mortgage Bond Indenture or otherwise.

Regarding the First Mortgage Bond Trustee: JPMorgan Chase Bank, N.A., the First Mortgage Bond Trustee, also serves as Senior Note Indenture Trustee, as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Enforcement Provisions: The First Mortgage Bond Indenture (Section 11.05) provides that, upon the occurrence of certain events of default, the First Mortgage Bond Trustee or the holders of not less than 20% in principal amount of outstanding bonds may declare the principal of all outstanding bonds immediately due and payable, but that, upon the curing of any such default, the holders of a majority in principal amount of outstanding bonds may waive such default and its consequences.

The holders of a majority in principal amount of outstanding bonds may direct the time, method and place of conducting any proceeding for the enforcement of the First Mortgage Bond Indenture (Sections 11.01 and 11.12). No holder of any bond has any right to institute any proceedings to enforce the First Mortgage Bond Indenture or any remedy under the First Mortgage Bond Indenture, unless such holder shall previously have given to the First Mortgage Bond Trustee written notice of a default, and unless such holder or holders shall have tendered to the First Mortgage Bond Trustee indemnity against costs, expenses and liabilities, and unless the holders of not less than 20% in principal amount of outstanding bonds shall have tendered such indemnity and requested the First Mortgage Bond Trustee to take action and the First Mortgage Bond Trustee shall have failed to take action within 60 days (Section 11.14).

Defaults: By Section 11.01 of the First Mortgage Bond Indenture, the following events are defined as defaults : failure to pay principal; failure for 60 days to pay interest; failure for 90 days to pay any sinking or other purchase fund installment; certain events in bankruptcy, insolvency or reorganization; and failure for 90 days after notice to perform

other covenants. By Section 9.03 of the First Mortgage Bond Indenture, a failure by the Company to deposit or direct the application of money for the redemption of bonds called for redemption also constitutes a default.

Evidence as to Compliance with Conditions and Covenants: The First Mortgage Bond Indenture requires the Company to furnish to the First Mortgage Bond Trustee, among other things, a certificate of officers and an opinion of counsel as evidence of compliance with conditions precedent provided for in the First Mortgage Bond Indenture;

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a certificate of an engineer (who, in certain instances, must be an independent engineer) with respect to the fair value of property certified or released; and a certificate of an accountant (who, in certain instances, must be an independent public accountant) as to compliance with the earnings and replacement requirements. Various certificates and other documents are required to be filed periodically or upon the happening of certain events; however, no general periodic evidence is required by the First Mortgage Bond Indenture to be furnished as to the absence of default or as to compliance with the terms of the First Mortgage Bond Indenture in general.

DESCRIPTION OF THE NEW STOCK

Set forth below is a description of the general terms of the new Stock. The statements in this Prospectus concerning the new Stock are an outline and do not purport to be complete. Such statements make use of defined terms and are qualified in their entirety by express reference to the cited provisions of the charter of the Company, as amended (the charter), a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The general provisions which apply to the preferred stock of the Company of all classes, which are now or may at a later time be authorized or created, are set forth in the charter.

General: The new Stock is to be established by resolutions of the Board of Directors of the Company (the Resolutions), a copy of which is an exhibit to the Registration Statement (or incorporated by reference). The Resolutions shall include a provision fixing the stated capital of the new Stock.

At March 31, 2005, there were outstanding 12,000,000 shares of Class A Preferred Stock with a stated capital of \$25 per share and 1,250 shares of Flexible Money Market Class A Preferred Stock with a stated capital of \$100,000 per share. Additionally, at March 31, 2005, the Company had outstanding 475,115 shares of Preferred Stock which have a par value of \$100 per share. The Class A Preferred Stock ranks on a parity as to dividends and assets with the outstanding Preferred Stock and has the same general rights and preferences as the outstanding Preferred Stock. On all matters submitted to a vote of the holders of the Preferred Stock and the Class A Preferred Stock (other than a change in the rights and preferences of only one, but not the other, such kind of stock), both kinds of stock vote together as a single class, and each share of Preferred Stock and Class A Preferred Stock shall have the relative voting rights described in *Voting Rights* in this Prospectus.

The new Stock will not be subject to further calls or to assessment by the Company.

Any proposed listing of the new Stock on a securities exchange will be described in the Prospectus Supplement.

Transfer Agent and Registrar: Unless otherwise indicated in the applicable Prospectus Supplement, the new Stock will be transferable at the office of Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, which will also serve as the Registrar.

Dividend Rights: The holders of the Preferred Stock and Class A Preferred Stock of each class are entitled to receive cumulative dividends, payable when and as declared by the Board of Directors, at the rates determined for the respective classes, before any dividends may be declared or paid on the Preference Stock or the Common Stock. Dividends on the Preferred Stock and Class A Preferred Stock must have been or be contemporaneously declared and set apart for payment, or paid, on the Preferred Stock and Class A Preferred Stock of all classes for all dividend periods terminating on the same or an earlier date (Charter A. Preferred Stock 2. General Provisions a and b).

The Prospectus Supplement will set forth the dividend rate provisions of the new Stock, including the payment dates and the rate or rates, or the method of determining the rate or rates (which may involve periodic dividend rate settings through remarketing or auction procedures or pursuant to one or more formulae, as described in the Prospectus Supplement). Dividends payable on the new Stock will be cumulative from the date of original issue.

Redemption Provisions: The redemption provisions applicable to the new Stock will be described in the Prospectus Supplement.

The charter provides that the Company shall not redeem, purchase or otherwise acquire any shares of Preferred Stock or Class A Preferred Stock if, at the time of such redemption, purchase or other acquisition, dividends payable

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on the Preferred Stock or Class A Preferred Stock of any class shall be in default in whole or in part unless, prior to or concurrently with such redemption, purchase or other acquisition, all such defaults shall be cured or unless such action has been ordered, approved or permitted under the 1935 Act by the Commission or any successor commission or regulatory authority of the United States of America (Charter A. Preferred Stock 2. General Provisions d).

Voting Rights: The voting rights applicable to the Preferred Stock and Class A Preferred Stock will be described in the Prospectus Supplement.

Liquidation Rights: Upon voluntary or involuntary liquidation, the holders of the Preferred Stock and Class A Preferred Stock of each class, without preference between classes, will be entitled to receive the amounts specified to be payable on the shares of such class (which, in the case of the new Stock, is an amount equal to the stated capital per share on involuntary liquidation, or an amount equal to the then current regular redemption price per share on voluntary liquidation, plus accrued dividends in each case) before any distribution of assets may be made to the holders of the Preference Stock or the Common Stock. Available assets, if insufficient to pay such amounts to the holders of the Preferred Stock and Class A Preferred Stock, are to be distributed pro rata to the payment, first, of the amount per share payable in the event of involuntary liquidation, second, of accrued dividends, and third, of any premium (Charter A. Preferred Stock 2. General Provisions c.).

Sinking Fund: The terms and conditions of a sinking fund or purchase fund, if any, for the benefit of the holders of the new Stock will be set forth in the Prospectus Supplement.

Other Rights: The holders of the new Stock do not have any preemptive or conversion rights unless otherwise indicated in the Prospectus Supplement.

DESCRIPTION OF THE PREFERENCE STOCK

Preference Stock is a proposed new class of capital stock of the Company that will rank junior to the Preferred Stock and Class A Preferred Stock and senior to the Common Stock. An amendment to the Company's charter establishing the Preference Stock is required to be submitted for adoption by the shareholders of the Company, and, if adopted, the Company will be authorized to issue Preference Stock. The Board of Directors will determine the specific terms, rights, preferences, limitations and restrictions of each series of Preference Stock and such provisions will be included in a subsequent amendment to the Company's charter for each series. The Prospectus Supplement for a series of Preference Stock will describe the terms, rights, preferences, limitations and restrictions of the Preference Stock offered by that Prospectus Supplement. A copy of such amendments to the Company's charter will be filed as exhibits to the Registration Statement of which this Prospectus forms a part.

The terms, rights, preferences, limitations and restrictions of the Preference Stock to be determined and set forth in the applicable Prospectus Supplement include the following: (i) the total number of shares of Preference Stock authorized to be issued, (ii) the designation of the series; (iii) the total number of shares of a series being offered; (iv) the general or special voting rights of such shares, if any; (v) the price or prices at which shares will be offered and sold; (vi) the dividend rate, period and payment date or method of calculation applicable to the Preference Stock; (vii) the date from which dividends on the Preference Stock accumulate, if applicable; (viii) the mandatory or optional sinking fund, purchase fund or similar provisions, if any; (ix) the dates, prices and other terms of any optional or mandatory redemption; (x) the relative ranking and preferences of the Preference Stock as to dividend rights and rights upon liquidation (whether voluntary or involuntary), dissolution or winding up of the Company's affairs; (xi) the procedures for auction and remarketing, if any, of the shares; (xii) any listing of the shares on a securities exchange; and (xiii) any other specific terms, preferences, rights, limitations or restrictions.

DESCRIPTION OF THE DEPOSITARY SHARES

Set forth below is a description of the general terms of the Depositary Shares. The statements in this Prospectus concerning the Depositary Shares and the Deposit Agreement (as defined below) are an outline and do not purport to be complete. Such statements make use of defined terms and are qualified in their entirety by express reference to the Deposit Agreement (which contains the form of Depositary Receipt (as defined below)), a form of which is an

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exhibit to the Registration Statement of which this Prospectus forms a part or incorporated by reference to the Registration Statement.

General: The Company may, at its option, elect to offer Depositary Shares. Each Depositary Share will represent a fraction of a share of Preference Stock as described in the Prospectus Supplement. The shares of Preference Stock represented by the Depositary Shares will be deposited under a Deposit Agreement (the "Deposit Agreement"), among the Company, the Depositary named in the Deposit Agreement (the "Depositary") and all holders from time to time of the depositary receipts (the "Depositary Receipts") issued under the Deposit Agreement. Subject to the terms of the Deposit Agreement, each owner of a Depositary Share is entitled, proportionately, to all the rights, preferences and privileges of the Preference Stock (including dividend, voting and liquidation rights) and subject, proportionately, to all of the limitations of the Preference Stock contained in the charter summarized under "Description of the Preference Stock" in this Prospectus. The Depositary Shares are evidenced by Depositary Receipts issued pursuant to the Deposit Agreement.

Any proposed listing of the Depositary Shares on a securities exchange will be described in the Prospectus Supplement.

Issuance of Depositary Receipts: Immediately following the issuance of the Preference Stock, the Company will deposit the Preference Stock with the Depositary, which will then execute and deliver the Depositary Receipts to the Company. The Company will, in turn, deliver the Depositary Receipts to the underwriters or purchasers. Depositary Receipts will be issued evidencing only whole Depositary Shares.

Withdrawal of Preference Stock: Upon surrender of Depositary Receipts at the corporate trust office of the Depositary, the owner of the Depositary Shares evidenced by such Depositary Receipts is entitled to delivery at such office of certificates evidencing the number of shares of Preference Stock (but only in whole shares of Preference Stock) represented by such Depositary Shares. If the Depositary Receipts delivered by the holder evidence a number of Depositary Shares in excess of the number of whole shares of Preference Stock to be withdrawn, the Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of Depositary Shares. The Company does not expect that there will be any public trading market for the Preference Stock, except as represented by the Depositary Shares.

Redemption of Depositary Shares: The Depositary Shares will be redeemed, upon not less than 15 nor more than 60 days' notice, using the cash proceeds received by the Depositary resulting from the redemption, in whole or in part, at the Company's option, but subject to the applicable terms and conditions, of shares of Preference Stock held by the Depositary. The redemption price per Depositary Share will be equal to the fraction of the redemption price per share applicable to the Preference Stock. Whenever the Company redeems shares of the Preference Stock held by the Depositary, the Depositary will redeem as of the same redemption date the number of Depositary Shares representing the shares of Preference Stock so redeemed. If less than all the outstanding Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected pro rata (as nearly as may be) or by lot or by such other equitable method as the Depositary may determine.

Dividends and Other Distributions: The Depositary will distribute all cash dividends or other cash distributions received in respect of Preference Stock to the record holders of Depositary Receipts in proportion, insofar as practicable, to the number of Depositary Shares owned by such holders. In the event of a distribution other than in cash, the Depositary will distribute property received by it to the record holders of Depositary Receipts entitled to such property, unless the Depositary determines that it is not feasible to make such distribution, in which case the Depositary may, with the approval of the Company, adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the sale (at public or private sale) of such property and distribution of the net proceeds from such sale to such holders. The amount distributed in any of the foregoing cases will be reduced

by any amounts required to be withheld by the Company or the Depositary on account of taxes or otherwise required pursuant to law, regulation or court process.

Record Date: Whenever (i) any cash dividend or other cash distribution shall become payable, any distribution other than cash shall be made, or any rights, preferences or privileges shall be offered with respect to the Preference Stock or (ii) the Depositary shall receive notice of any meeting at which holders of Preference Stock are entitled to vote or of which holders of Preference Stock are entitled to notice, the Depositary shall in each

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such instance fix a record date (which shall be the record date fixed by the Company with respect to the Preference Stock) for the determination of the holders of Depositary Receipts who shall be entitled to (y) receive such dividend, distribution, rights, preferences or privileges or the net proceeds of such sale or (z) give instructions for the exercise of voting rights at such meeting or receive notice of such meeting.

Voting Preference Stock: Upon receipt of notice of any meeting at which the holders of Preference Stock are entitled to vote, the Depositary will mail the information contained in such notice of meeting to the record holders of Depositary Receipts. The record holders of Depositary Receipts on the record date (which will be the same date as the record date for the Preference Stock) will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Preference Stock represented by their respective Depositary Receipts. The Depositary will endeavor insofar as practicable to vote or cause to be voted the amount of Preference Stock represented by such Depositary Receipts in accordance with such instructions, and the Company has agreed to take all action which may be deemed necessary by the Depositary in order to enable the Depositary to do so. The Depositary will abstain from voting the Preference Stock to the extent it does not receive specific instructions from the holders of the Depositary Receipts.

Amendment and Termination of Deposit Agreement: The form of the Depositary Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended or modified in any respect by agreement between the Company and the Depositary. Any amendment which imposes any fees or charges (other than taxes, fees and charges provided for in the Deposit Agreement) on the holders of Depositary Receipts, or which otherwise prejudices any substantial existing right of holders of Depositary Receipts, will not become effective as to outstanding Depositary Receipts until the expiration of 90 days after notice of such amendment shall have been given to the record holders of outstanding Depositary Receipts. Every holder of an outstanding Depositary Receipt at the time any such amendment so becomes effective shall be deemed, by continuing to hold such Depositary Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended. In no event may any amendment impair the right of the holder of any Depositary Receipt, subject to the conditions of the Deposit Agreement, to surrender such Depositary Receipt and receive the Preference Stock represented by such Depositary Receipt, except in order to comply with mandatory provisions of applicable law.

Whenever so directed by the Company, the Depositary will terminate the Deposit Agreement by mailing notice of such termination to the record holders of all Depositary Receipts then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may likewise terminate the Deposit Agreement if at any time 60 days shall have expired after the Depositary shall have delivered to the Company a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment. If any Depositary Receipts remain outstanding after the date of termination, the Depositary will discontinue the transfer of Depositary Receipts, will suspend the distribution of dividends to the holders of Depositary Receipts and will not give any further notices (other than notice of such termination) or perform any further acts under the Deposit Agreement except that the Depositary will continue to collect dividends and other distributions pertaining to the Preference Stock and deliver Preference Stock together with such dividends and distributions and the net proceeds of any sale of any rights, preferences, privileges or other property in exchange for Depositary Receipts surrendered. At any time after the expiration of two years from the date of termination, the Depositary may sell the Preference Stock then held by it at public or private sale at such place or places and upon such terms as it deems proper and may thereafter hold the net proceeds of any such sale, together with any other cash then held by it, without liability for interest, for the pro rata benefit of the holders of Depositary Receipts which have not been surrendered. Any such moneys unclaimed by the holders of Depositary Receipts more than two years from the date of termination of the Deposit Agreement will, upon request of the Company, be paid to it, and after such payment, the holders of Depositary Receipts entitled to the funds so paid to the Company shall look only to the Company for payment without interest. The Company does not intend to terminate the Deposit Agreement or to permit the resignation of the Depositary without appointing a successor depositary.

Charges of Depositary: The Company will pay all charges of the Depositary including charges for the initial deposit of the Preference Stock and delivery of Depositary Receipts and withdrawals of Preference Stock by the holders of Depositary Receipts, except for taxes (including transfer taxes, if any) and such charges as are expressly provided in the Deposit Agreement to be at the expense of the persons depositing Preference Stock or holders of Depositary Receipts.

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Miscellaneous: The Depositary will make available for inspection by holders of Depositary Receipts at its corporate trust office any reports and communications received from the Company which are made generally available to the holders of Preference Stock by the Company.

Neither the Depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Depositary and the Company under the Deposit Agreement are limited to performance in good faith of their duties under the Deposit Agreement, and they are not obligated to prosecute or defend any legal proceeding in respect of the Preference Stock, the Depositary Receipts or the Depositary Shares unless satisfactory indemnity is furnished. The Depositary and the Company may rely upon advice of or information from counsel, accountants or other persons believed to be competent and on documents believed to be genuine.

The Depositary may at any time resign or be removed by the Company, effective upon the acceptance by its successor of its appointment.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of December 1, 1997, between the Company and JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as trustee (the Senior Note Indenture Trustee), as to be supplemented by a supplemental indenture establishing the Senior Notes of each series (the Senior Note Indenture, as supplemented, is referred to as the Senior Note Indenture), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used in this Prospectus are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank equally with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately \$286,000,000 outstanding at March 31, 2005. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued under the Senior Note Indenture and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered by such Prospectus Supplement: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Senior Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Senior Notes may be redeemed, in whole or in part, at the option of the Company or at the option of the holder prior to their maturity; (vii) the obligation, if any, of the Company to redeem or purchase such Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount of such

Senior Notes, the portion of the principal amount of such Senior Notes which shall be payable upon declaration of acceleration of the maturity of such Senior Notes; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

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The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an Event of Default with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included in the Senior Note Indenture solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount of the Senior Notes due and payable immediately by notice in writing to the Company (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended without the consent of the holder of each outstanding Senior Note of such series affected.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Senior Notes of such series called for redemption, or (ii) issue, register the transfer of or exchange any Senior Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior

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Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled to an interest payment as such address shall appear in the Security Register with respect to the Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Senior Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Senior Notes from that time forward will look only to the Company for payment of such principal and interest.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series that is affected, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note that is affected, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount of any Senior Note or the rate of interest on any Senior Note or any premium payable upon the redemption of any Senior Note, or change the method of calculating the rate of interest on any Senior Note, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity of any Senior Note (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Senior Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults under the Senior Note Indenture and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note that is affected.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state in the United States or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be

continuing; and (3) the Company has delivered to the Senior Note Indenture Trustee an officers certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent to the transaction have been complied with.

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Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred by the Senior Note Indenture Trustee. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), the Senior Note Indenture Trustee, also serves as First Mortgage Bond Trustee, as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Senior Note Indenture and the Senior Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Senior Note Indenture to a direct or indirect wholly owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties to the Senior Note Indenture and their respective successors and assigns.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as trustee (the Subordinated Note Indenture Trustee), as to be supplemented by a supplemental indenture to the Subordinated Note Indenture establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is referred to as the Subordinated Note Indenture), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used in this Prospectus are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued under the Subordinated Note Indenture and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

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Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered by such Prospectus Supplement: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company or at the option of the holder prior to their maturity; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount of the Junior Subordinated Notes, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity of the Junior Subordinated Notes; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term **Senior Indebtedness** means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or incurred, created or assumed after such date, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all

obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the

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Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or that ranks equally with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of March 31, 2005, Senior Indebtedness of the Company aggregated approximately \$4,335,000,000.

Additional Interest

Additional Interest is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default under the Subordinated Note Indenture with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank equally with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

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Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an Event of Default with respect to the Junior Subordinated Notes of such series:

- (a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition of Additional Interest in the Subordinated Note Indenture) on such unpaid interest, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or
- (b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition of Additional Interest in the Subordinated Note Indenture); or
- (c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition of Additional Interest in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or
- (d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or
- (e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included in the Subordinated Note Indenture solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or
- (f) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount of the Junior Subordinated Notes due and payable immediately by notice in writing to the Company (and to the Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

A holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

"good reason" means a failure by the Company to comply with any material provision of the employment agreement which has not been cured within thirty (30) days after written notice of such noncompliance has been given to the Company, action by the Company resulting in a material diminution of Mr. Fennebresque's title, duties or authority, or the Company's relocation of the Chief Executive Officer's principal place of employment to a location more than twenty-five (25) miles outside of New York City.

On March 4, 2008, Mr. Fennebresque voluntarily resigned as Chief Executive Officer and President of the Company. Mr. Fennebresque serves as Non-Executive Chairman of the Board and is employed as a Senior Advisor to the Company. In connection with Mr. Fennebresque's resignation, Mr. Fennebresque and the Company entered into the Resignation Agreement and an agreement containing the terms and conditions of his employment as a Senior Advisor to the Company. For additional information regarding these agreements please see "Compensation Discussion and Analysis Mr. Fennebresque's Resignation Agreement and Employment Agreement."

SECURITY OWNERSHIP

Beneficial Ownership of Directors, Nominees and Executive Officers

The following table shows how many shares of our common stock were beneficially owned as of April 17, 2008, by each of our directors, director nominees and Named Executive Officers, and by all of our directors and executive officers as a group. Unless otherwise noted, the stockholders listed in the table have sole voting and investment power with respect to the shares owned by them.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
David M. Malcolm	198,416	1.4%
Thomas K. Conner	21,888	*
Christopher A. White	47,804(1)	*
J. Kevin McCarthy	16,025	*
Mark A. Egert	11,879	*
Kim S. Fennebresque	129,171(2)	*
Jeffrey Kurzweil	4,107(3)	*
Philip B. Pool, Jr.	6,107	*
L. Thomas Richards, M.D.	6,107	*
John E. Toffolon, Jr.	43,599	*
Charles W.B. Wardell, III	5,107	*
All directors, director nominees, named executive officers and other executive officers as a group (12 persons)	490,210	3.4%

*

Corresponds to less than 1% of Cowen Group, Inc. common stock.

(1)

Includes 200 shares of common stock owned by Mr. White's children.

(2)

Includes 7,500 shares of common stock owned by Mr. Fennebresque's daughter. On March 4, 2008, Mr. Fennebresque voluntarily resigned as Chief Executive Officer and President. As a result, Mr. Fennebresque forfeited 975,000 shares of restricted stock.

(3)

Includes 1,000 shares of common stock owned by Mr. Kurzweil's daughter.

Beneficial Owners of More than Five Percent of Our Common Stock

Based on filings made under Section 13(d) and Section 13(g) of the Securities Exchange Act of 1934, as of April 17, 2008, the persons known by us to be beneficial owners of more than 5% of our common stock were as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Bank of America Corporation. 100 North Tryon Street Floor 25 Bank of America Corporate Center Charlotte, NC 28255	1,550,378(1)	10.78%
SG Americas Securities Holdings, Inc. 1221 Avenue of the Americas New York, NY 10020	1,382,608(2)	9.61%
Keeley Asset Management. 401 South La Salle Street Chicago, IL 60605	893,730(3)	6.21%
American Century Companies, Inc. 4500 Main Street 9 th Floor Kansas City, MO 64111	881,078(4)	6.13%
Skyline Asset Management, LP 311 South Wacker Drive Chicago, IL 60606	863,130(5)	6.00%

- (1) This information is based on a Schedule 13G filed with the SEC on April 10, 2008 by Bank of America Corporation. The beneficial ownership indicated above represents the aggregate beneficial ownership of Bank of America Corporation and the following subsidiary entities of Bank of America Corporation: NB Holdings Corporation, Bank of America N.A., Columbia Management Group, LLC, Columbia Management Advisors, LLC, Banc of America Securities Holdings Corporation, Banc of America Securities LLC, BAC North America Holding Company, LaSalle Bank Corporation and LaSalle Bank, N.A. Bank of America, NA has sole dispositive power as to 743,902 shares and sole voting power as to 648,092 shares; Columbia Management Advisors, LLC has sole dispositive power and sole voting power as to 781,659 shares; Banc of America Securities has sole dispositive and voting power as to 17 shares; LaSalle Bank, N.A. has sole dispositive power as to 70 shares. Shared dispositive and shared voting power has been reported for all other shares.
- (2) This information is based on a Schedule 13G filed with the SEC on February 8, 2008 by SG Americas Securities Holdings, Inc. SG Americas Securities Holdings reported that it has sole voting and dispositive power with respect to all 1,382,608 shares reflected in the table.
- (3) This information is based on a Schedule 13G filed with the SEC on February 14, 2008 by Keeley Asset Management Corp. Keeley Asset Management Corp. reported that it has sole voting and dispositive power with respect to all 893,730 shares reflected in the table.
- (4) This information is based on a Schedule 13G filed with the SEC on February 13, 2008 by American Century Companies, Inc. The beneficial ownership indicated above represents the

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aggregate beneficial ownership of American Century Companies, Inc. which has sole voting power with respect to 835,200 shares and sole dispositive power with respect to 881,078 shares and the following subsidiaries of American Century Companies, Inc.: American Century Investment Management, Inc., an investment adviser, which has sole voting power with respect to 835,200 shares and sole dispositive power with respect to 881,078 shares and American Century Capital Portfolios, Inc., a registered investment company, which has sole voting and sole dispositive power with respect to 765,000 shares. American Century Companies, Inc. reported that various persons, including the investment companies and separate institutional investor accounts that American Century Investment Management, Inc. services as an investment adviser, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities. American Century Investment Management, Inc. reported that none of its advisory clients was known by it to own more than 5% of our common stock.

(5)

This information is based on a Schedule 13G filed with the SEC on January 29, 2008 by Skyline Asset Management, LP, or Skyline. Skyline reported that it has shared voting power as to 823,645 shares and shared dispositive power as to 863,130 shares. As an investment adviser, Skyline may be deemed to have beneficial ownership of shares owned by its advisory clients, but it disclaims beneficial ownership of these shares.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of December 31, 2007, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our 2007 and 2006 Equity and Incentive Plans, the weighted-average exercise price of such options, and the number of shares remaining available for future issuance under the plans for all awards as of December 31, 2007.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under the Equity Compensation Plan (Excluding Shares in First Column)
Equity compensation plans approved by stockholders	977,861	\$ 16.01	2,215,800(1)
Equity compensation plans not approved by stockholders	None	N/A	None

(1)

The number in the fourth column is based on the 4,725,000 shares currently authorized for issuance under the 2006 Equity and Incentive Plan and 1,500,000 shares authorized for issuance under our 2007 Equity and Incentive Plan. In addition to the 977,861 shares to be issued upon the exercise of outstanding options to purchase our common stock, 3,031,339 shares of restricted stock and restricted stock units were issued under the plans and were outstanding as of December 31, 2007. All of the 2,215,800 shares available for future issuance under the plan as of December 31, 2007, may be granted in the form of restricted stock, RSUs, options or another equity-based award authorized under the plan. After taking into account equity issued under the plans in 2008, primarily in connection with 2007 bonuses, and forfeitures, including 975,000 shares forfeited by Mr. Fennebresque in connection with his retirement, we had 1,938,118 shares remaining under our equity plans as of April 17, 2007.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file initial reports of ownership of our securities and reports of changes in ownership of our securities with the Securities and Exchange Commission.

Based on a review of copies of such reports and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2007 have been satisfied except for the following: (i) a late report by Mr. Fennebresque with respect to the purchase of 5,000 shares by Mr. Fennebresque's daughter on February 26, 2007, which was reported on March 2, 2007; (ii) late reports by Messrs. Kurzweil, Pool, Toffolon, Wardell and Dr. Richards with respect to their respective equity award grants of June 7, 2007, which were reported on July 9, 2007; and (iii) a late report by Mr. Egert related to a purchase of 500 shares on August 29, 2007 which was reported on March 3, 2008.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of independent, non-employee directors, none of whom has ever been an officer or employee of the Company and none of whom had any related person transaction involving the Company. During 2007, none of our executive officers (1) served as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (2) served as a member of the compensation committee of any other entity that had one or more of its executive officers serving as a member of our Board.

Transactions with Related Persons

Prior to our initial public offering, we were an indirect wholly-owned subsidiary of Société Générale, or SG. As an indirect wholly-owned subsidiary, we had various service agreements in place between us and SG and certain of SG's affiliates, which set forth many of the roles and responsibilities with regard to the services that were provided by SG and its affiliates to us and, in certain instances, by us to SG. In connection with our initial public offering and separation from SG in July 2006, many of the existing agreements terminated and we simultaneously entered into numerous new agreements with SG to facilitate our existence as a standalone public company. Our agreements with SG that were entered into at the time of our initial public offering have been filed as exhibits to our registration statement for the initial public offering and/or our periodic reports. Many of these agreements remained in effect, either in part or in their entirety, during 2007, resulting in related person transactions between us and SG, as defined in the SEC's rules. A subsidiary of SG continues to hold more than 5% of our outstanding common stock. A more detailed description of these transactions appears below.

Indemnification and Escrow Agreements

In connection with our initial public offering, we entered into an Indemnification Agreement with SG under which (1) SG will indemnify, and will defend and hold harmless the Company and each of the Company's subsidiaries from and against certain liabilities assumed or retained by SG, and (2) SG will indemnify the Company for known, pending and threatened litigation (including the costs of such litigation) and certain known regulatory matters, in each case, that existed prior to the date of the initial public offering to the extent the cost of such litigation results in payments in excess of the amount placed in escrow to fund such matters. SG, however, will not indemnify us, and we will instead indemnify SG, for most litigation, arbitration and regulatory matters that may occur in the future but were unknown at the time of our initial public offering and certain known regulatory matters.

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On July 12, 2006, the Company entered into an Escrow Agreement with SG and its affiliate and a third-party escrow agent and deposited with the escrow agent \$79.3 million for the payment of liabilities arising out of the matters for which SG has agreed to indemnify us. Subsequent to making this deposit, certain matters covered by the Escrow Agreement have been settled and excess reserves related to these settled matters were returned to an affiliate of SG. The escrow agent will, when and as directed by SG's affiliate, distribute funds from the escrow account to satisfy specified contingent liabilities for which SG has assumed responsibility should such liabilities become due. Any amounts remaining in the escrow account after final conclusion of the related litigation will be paid to an affiliate of SG. SG's affiliate is also entitled to any interest earned on such deposits held in escrow. In 2007, SG's affiliate earned \$1.6 million in interest from the escrow account and \$11.0 million was distributed from the escrow account to unrelated third parties in connection with litigation settlement payments. The escrow account was funded with \$79.3 million as of the date of separation. On December 31, 2007, the escrow account balance was \$23.5 million.

Real Estate

In connection with our initial public offering and separation from SG, we entered into a sublease agreement with SG related to our headquarters at 1221 Avenue of the Americas, New York, New York. Pursuant to the sublease agreement, which expires in 2013, we make monthly lease payments to SG comprised of rent and other occupancy-related expenses. During 2007, we made \$6.9 million in aggregate payments to SG related to the sublease of our New York offices.

We also entered into a Transition Services Agreement which provides that, among other things, we will repay SG for the cost of improvements to our sub-leased facilities over the period from January 2006 through September 2013. In addition, the Transition Services Agreement provides that SG will provide us with facilities management services through December 31, 2007, subject to renewal at that time. In 2007, we paid SG \$2.1 million in aggregate fees related to facilities management and improvements to our sub-leased facilities. The Transition Services Agreement has been renewed through December 31, 2009.

In addition, we have an irrevocable letter of credit in the amount of \$5 million issued by The Bank of New York to support SG's guarantee of our obligations related to lease payments for our Boston offices. This letter of credit will remain outstanding until July 2008, subject to renewal at that time.

Pre-Separation Distribution and Initial Equity

The Separation Agreement provided that, at the closing of our initial public offering, we were to have an initial stockholders' equity of \$207.0 million after giving effect to the transactions contemplated in the Separation Agreement and the other agreements. The Separation Agreement requires that following our initial public offering there will be a true-up calculation of our stockholders' equity immediately following our initial public offering and the corresponding amount that should have been distributed to SG on the date of our initial public offering. We have accrued approximately \$2.0 million as a capital contribution payable to SG related to this true-up calculation, which is still subject to final review. In the event that we and SG cannot agree on the calculation of our stockholders' equity, the Separation Agreement calls for the matter to be submitted to binding arbitration before a panel of three arbitrators in accordance with the American Arbitration Association's then current commercial arbitration rules.

SG Receivable

During 2007, the Company concluded that a receivable in the amount of \$1.9 million owed to the Company by SG is in dispute. The Company has been informed that SG currently disputes its obligation to pay the receivable. The Company believes, based on current facts and circumstances and

in consultation with counsel, that it holds a valid legal claim to the receivable. Based upon the validity of its legal claim, the Company believes the receivable is realizable, therefore, no reserves have been established. The Company and SG are continuing to review the matter in an effort to reach a mutually acceptable resolution.

Presentation Center

In 2004, we entered into a three-year service level agreement with an affiliate of SG regarding the outsourcing of certain presentation center functions to Bangalore, India. Under the agreement, the affiliate of SG provides us with certain presentations center services including, among other things, pitchbook presentations, the creation of logos, graphics artwork and organizational charts. In 2007, we paid the SG affiliate \$1.2 million in aggregate fees under this agreement. The service level agreement has been renewed for an additional three-year term which ends December 31, 2010.

Clearing Services

In connection with our separation from SG, we entered into a new clearing agreement with SG Americas Securities, LLC, an indirect subsidiary of SG, which replaced our former clearing agreement and service level agreement with SG Americas Securities, LLC, both of which terminated upon our separation from SG. Pursuant to the new clearing agreement which was in effect from July 2006 through January 2007, SG Americas Securities, LLC provided us with the following services: cashiering, new accounts, purchase and sales, audit and regulatory support and management services. In 2007 under this clearing agreement, we paid SG \$1.1 million in aggregate clearing fees. In January 2007, we terminated the agreement and currently have a clearing arrangement with an unaffiliated clearing broker.

Merchant Banking

In 2004, we entered into a service level agreement to provide management services to SG related to its U.S. merchant banking assets. In connection with our separation and initial public offering, this service level agreement terminated and we entered into a Transition Services Agreement with SG. Under this agreement, we earned fees from SG for managing certain U.S. merchant banking investments. In 2006, SG sold a portion of the merchant banking portfolio currently managed by us to an unaffiliated third-party. We continue to manage these assets for the purchasers and continue to receive a fee for doing so. In addition, we continue to manage certain U.S. merchant banking assets for SG. During 2007, SG paid us \$0.4 million in aggregate fees related to managing the U.S. merchant banking assets not sold in 2006.

Other Services

In addition to the services described above, SG provided us with certain ancillary services in 2007 including legal and litigation management services and business continuity management. In aggregate, we paid SG less than \$55,000 for these services during 2007.

Review and Approval of Transactions with Related Persons

To minimize actual and perceived conflicts of interests, our Board of Directors has adopted a written policy governing transactions in which the Company is a participant, the aggregate amount involved is reasonably expected to exceed \$120,000, and any of the following persons has or may have a direct or indirect material interest in the transaction: (a) our executive officers, directors (including nominees) and certain other highly compensated employees, (b) stockholders who own more than 5% of our common stock, and (c) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law or person (other than a tenant

or employee) sharing the same household of any person described in (a) or (b) above. These transactions are considered "related person transactions."

Unless exempted from the policy as described below, related person transactions must be reported to our General Counsel, Deputy General Counsel or Chief Compliance Officer who will then submit the related person transaction for review by our Audit Committee. The Audit Committee will review all relevant information available to it and will approve or ratify only those related person transactions that it determines are not inconsistent with the best interests of the Company. If our General Counsel, Deputy General Counsel or Chief Compliance Officer determines that advance approval of a related person transaction is not practicable under the circumstances, the Audit Committee will review, and, in its discretion, may ratify the related person transaction at its next meeting, or at the next meeting following the date that the related person transaction comes to the attention of our General Counsel, Deputy General Counsel or Chief Compliance Officer. However, the General Counsel, Deputy General Counsel or Chief Compliance Officer may present a related person transaction that arises between Audit Committee meetings to the Chair of the Audit Committee, who will review and may approve the related person transaction, subject to the Audit Committee's ratification at its next meeting. In 2007, no new related party transactions requiring the approval of the Audit Committee were entered into by the company.

Any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing will be reviewed annually by the Audit Committee to ensure that such transaction has been conducted in accordance with the previous approval granted by the Audit Committee, if any, and that all required disclosures regarding the related person transaction are made.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction;

a transaction with a significant stockholder, or such stockholder's immediate family members, who has a current Schedule 13G filed with the SEC with respect to such stockholder's ownership of our securities; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

The transactions with SG described in this section have been reviewed by our Audit Committee in accordance with the policy described above.

AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee Report

The primary function of our Audit Committee is oversight of our financial reporting process, publicly filed financial reports, internal accounting and financial controls, and the independent audit of the consolidated financial statements. The consolidated financial statements of Cowen Group, Inc. for the year ended December 31, 2007 were audited by Ernst & Young LLP, independent registered public accounting firm for the Company.

As part of its activities, the Committee has:

1. Reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements;
2. Discussed with the independent registered public accounting firm the matters required to be communicated under *Statement on Auditing Standards No. 61 (Communications with Audit Committees)*;
3. Received the written disclosures and letter from the independent registered public accounting firm required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*; and
4. Discussed with Ernst & Young LLP their independence.

Management is responsible for the Company's system of internal controls and the financial reporting process. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report thereon. Our Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions and a review of the report of Ernst & Young LLP with respect to the consolidated financial statements, we have recommended to the Board of Directors of Cowen Group, Inc. the inclusion of the audited consolidated financial statements in Cowen Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors of Cowen Group, Inc.

John E. Toffolon, Jr., *Chairperson*
Philip B. Pool, Jr.
L. Thomas Richards

Independent Registered Public Accounting Firm Fees and Other Matters

The following table presents the aggregate fees billed for services rendered by Ernst & Young, LLP, our independent registered public accounting firm, for the fiscal years ended December 31, 2007 and 2006.

	2007	2006
Audit Fees(1)	\$ 1,307,935	\$ 1,533,857
Audit-Related Fees(2)	123,689	203,600
Tax Fees		
All Other Fees	6,248	
Total	\$ 1,437,872	\$ 1,737,457

- (1) Audit fees consisted of fees billed for the audit of our financial statements for the years ended December 31, 2007 and 2006, statutory audits of certain of our subsidiaries, and quarterly reviews of our financial statements. Audit fees for 2006 included fees of approximately \$400,000 for services related to our initial public offering and carve-out financial statements.
- (2) Audit-Related Fees consisted of fees for services that are reasonably related to the performance of the audit and the review of our financial statements and that are not reported under "Audit Fees."

Auditor Services Pre-Approval Policy

The Audit Committee has adopted an Audit Committee Policy Regarding Outside Auditor Services which includes a pre-approval policy that applies to services performed for the Company by our independent registered public accounting firm. In accordance with this policy, we may not engage our independent registered public accounting firm to render any audit or non-audit service unless the service was approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval policies and procedures described below. However, no pre-approval is required with respect to services (other than audit, review or attest services) if (i) the aggregate amount of all such services is no more than 5% of the total amount paid by us to the independent registered public accounting firm during the fiscal year in which the services are provided, (ii) such services were not recognized at the time of engagement to be non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and approved by either the Audit Committee or the Chairperson of the Audit Committee prior to completion of the audit. During fiscal 2007 no fees were approved by the Audit Committee pursuant to this exemption.

The pre-approval policy delegates to the Chairperson of the Audit Committee the authority to pre-approve any audit or non-audit services, provided that any approval by the Chairperson is reported to the Audit Committee at the Audit Committee's next regularly scheduled meeting. The Audit Committee may also pre-approve services that are expected to be provided to the Company by the independent registered public accounting firm during the next 12 months and at each regularly scheduled meeting of the Audit Committee, management or the independent registered public accounting firm must report to the Audit Committee each service actually provided to the Company pursuant to the pre-approval.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent registered public accounting firm. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the registered public accounting firm's independence.

**ITEM 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit Committee of our Board of Directors has selected Ernst & Young LLP to serve as our independent registered public accounting firm for the year ending December 31, 2008. While it is not required to do so, our Board of Directors is submitting the selection of Ernst & Young LLP for ratification in order to ascertain the views of our stockholders with respect to the choice of audit firm. If the selection is not ratified, the Audit Committee will reconsider its selection. Representatives of Ernst & Young LLP are expected to be present at the annual meeting, will be available to answer stockholder questions and will have the opportunity to make a statement if they desire to do so. Ernst & Young LLP served as our independent registered public accounting firm for the year ended December 31, 2007.

The Board of Directors recommends that you vote FOR ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of Cowen Group, Inc. and our subsidiaries for the year ending December 31, 2008. The affirmative vote of the holders of a majority of our outstanding shares of common stock voting on the proposal is required to ratify this selection. Proxies will be voted FOR ratification of this selection unless otherwise specified.

STOCKHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING

In order for a stockholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2009 annual meeting of stockholders, the written proposal must be received at our principal executive offices on or before December 31, 2008. The proposal should be addressed to Cowen Group, Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, New York, New York, 10020. The proposal must comply with Securities and Exchange Commission regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

In accordance with our bylaws, a stockholder who wishes to present a proposal for consideration at the 2009 annual meeting must deliver a notice of the matter the stockholder wishes to present to our principal executive offices in New York, New York, at the address identified in the preceding paragraph, not less than 90 nor more than 120 days prior to the first anniversary of the date of this year's annual meeting. Accordingly, any notice given by or on behalf of a stockholder pursuant to these provisions of our bylaws (and not pursuant to Rule 14a-8 of the Securities and Exchange Commission) must be received no earlier than February 3, 2009, and no later than March 5, 2009. The notice should include (i) a brief description of the business desired to be brought before the 2009 annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder, (iii) the class or series and number of shares of capital stock of the Company beneficially owned or owned of record by the stockholder, (iv) a description of all arrangements or understandings between the stockholder and any other person or persons (including their names) in connection with the proposal and any material interest of the stockholder in such business and (v) a representation that the stockholder intends to appear in person or by proxy at the 2009 annual meeting to bring such business before the meeting.

ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K

Our 2007 Annual Report to Stockholders, including financial statements for the year ended December 31, 2007, accompanies this proxy statement. Stockholders may obtain an additional copy of our Annual Report and/or a copy of our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2007, without charge by viewing these documents on our Web site at www.cowen.com or by writing to Cowen Group, Inc., Attention: Investor Relations, 1221 Avenue of the Americas, New York, New York, 10020.

HOUSEHOLDING

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Currently, only brokers household our proxy materials and annual reports, delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or annual report, or if you are receiving multiple copies of either document and wish to receive only one, please contact your broker. Any househomed stockholder may request a copy of the proxy statement and/or annual report by contacting us in writing or by telephone at Cowen Group, Inc., Attention: Investor Relations, 1221 Avenue of the Americas, New York, New York, 1020, (646) 562-1880. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a stockholder at a shared address to which a single copy of either document was delivered.

OTHER MATTERS

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the meeting, the persons named as proxies on the enclosed proxy card will vote as they deem in the best interests of Cowen Group, Inc.

Cowen Group, Inc.

			C123456789
	000004	000000000.000000 ext	000000000.000000 ext
MR A SAMPLE		000000000.000000 ext	000000000.000000 ext
DESIGNATION (IF ANY)		000000000.000000 ext	000000000.000000 ext
ADD 1			
ADD 2			
ADD 3			
ADD 4			
ADD 5			
ADD 6			

Electronic Voting Instructions

You can vote by Internet or telephone!

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy. VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.
Proxies submitted by the Internet or telephone must be received by 12:00 a.m. EDT on June 3, 2008.

Vote by Internet

Log on to the Internet and go to

www.investorvote.com

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

Annual Meeting Proxy Card		C0123456789	
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IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proposals The Board of Directors recommends a vote FOR the nominees listed and FOR Proposal 2.

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1. Election of Directors:	For	Withhold		For	Withhold
01 - Jeffrey Kurzweil	<input type="radio"/>	<input type="radio"/>	02 - John E. Toffolon, Jr.	<input type="radio"/>	<input type="radio"/>

2. Ratification of the Selection of Ernst & Young, LLP as the Independent Registered Public Accounting Firm for the Year Ending December 31, 2008.	For	Against	Abstain
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Non-Voting Items

Change of Address Please print new address below.

Meeting Attendance
Mark box to the right if you plan to attend the Annual Meeting.

Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

C 1234567890 J N T

2 1 C V 0 1 7 9 1 1 1

MR A SAMPLE (THIS AREA IS SET UP TO ACCOMMODATE 140 CHARACTERS) MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND

<STOCK#> 00WF2A

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy Cowen Group, Inc.

Notice of 2008 Annual Meeting of Stockholders

Proxy Solicited by Board of Directors for Annual Meeting June 3, 2008

David M. Malcolm and J. Kevin McCarthy, or each of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of Cowen Group, Inc. to be held on June 3, 2008 or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted as directed. If no such directions are indicated, the Proxies will have authority to vote FOR the nominees listed on the reverse side and FOR the ratification of the appointment of the Independent Auditor.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)

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